

Oceanfront hotel plan faced tough road before state panel

LINGERING CONCERNS



DAN COYRO/SENTINEL

A California Coastal Commission vote on plans for the aging La Bahia apartments, built in the Spanish Colonial Revival style, has been postponed.

SUPPORTERS SEEK DELAY TO IRON OUT PROBLEMS

By J.M. BROWN

jbrown@santacruzsentinel.com

Hotels + Boarding Houses

SANTA CRUZ — Backers of a contentious \$28 million oceanfront hotel project say there were too many uncertainties going into a do-or-die vote by the state Coastal Commission next month and that a delay provided their best chance to keep the long-anticipated development plan out of the scrap heap.

With the begrudging endorsement of the builder, city officials sought a postponement last week from the Coastal Commission staff,

whose recommendation for the high-end, 125-room La Bahia Hotel was in question. By April, the agency's staff will formally ask commissioners for up to a year's extension to iron out concerns with the city's request to allow for building the hotel 14 feet higher than a three-story limit outlined in Santa Cruz's coastal plan.

All sides hope a resolution is only months away, but it's clear the city and developer Barry Swenson Builder faced a number of significant obstacles in bringing the project before the com-

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AT ISSUE

■ The Santa Cruz City Council approved the current La Bahia Hotel plan 5-1 in April 2009. The proposal requires the city to seek an amendment to its coastal plan from the California Coastal Commission to create special spot zoning exclusively for the hotel.

■ The special zoning, called Beach Commercial Performance Overlay Zone 2, would allow units to be sold as condos and permit building heights up to 4.5 stories, or 61 feet. Architectural elements on the top of the building can extend as high as 71 feet but are limited to 15 percent of the roof area.

■ The city's current coastal plan allows maximum building heights of 36 feet. If the proposed project were three stories or below, the city could issue its own coastal permit for the development. The Coastal Commission would only hear the project if it were appealed.

■ If the hotel project is not approved and the property's owner, Santa Cruz Seaside Co., wanted to demolish La Bahia, it could seek a permit from the city, which could be appealed to the Coastal Commission.

■ Created in 1972 by voters and affirmed four years later by the California Coastal Act, the Coastal Commission has jurisdiction over land use decisions on 1,100 miles of coast line. The panel has 12 voting members, with the governor, Assembly speaker and Senate pro-tem making four appointments each. Half of the members are elected officials and the other half are members of the public.

■ La Bahia's current 43 apartments are occupied nine months out of the year by university students and by Boardwalk employees during the summer. Barry Swenson Builder built 71 low-income units at 401 Pacific Ave., a half-mile away, to replace the loss of affordable housing when La Bahia is demolished to build the new hotel.

SOURCE: City of Santa Cruz, California Coastal Commission, Barry Swenson Builder

Gary Roberts has lived in his family's First Street home for 75 years and contends his view will be ruined if a four-story hotel goes up on the La Bahia site.

DAN COYRO/SENTINEL



First Street residents personify worry over La Bahia's height

By J.M. BROWN

jbrown@santacruzsentinel.com

SANTA CRUZ — Gary Roberts grew up in the two-story First Street house he's called home for 64 years.

A framed picture of his mother, Mary Roberts, the first Miss Santa Cruz crowned in 1924, has a prominent place on a table just inside the weathered cottage's front room. From his

porch, he looks out on the historic La Bahia apartment building, and beyond that can see the Santa Cruz Municipal Wharf and the blue Pacific.

Roberts and his Beach Hill neighbors personify concerns over the height of a 125-room hotel proposed for the La Bahia site. Their ocean views, now contoured by the La Bahia

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bell tower and the other high points of the existing structure, will be partially or completely blocked.

Not only do they lament the loss of their view, which will lower their property values, but the neighbors are also upset about an anticipated loss of an ocean breeze and direct sunlight in the afternoon and evening, and the increased traffic and noise the hotel would bring.

Robert said he wants to see La Bahia preserved or at least replaced with a scaled-back project. He said he understands the city and developer wanting to create a money-making draw for tourists, but not at the expense of residents.

"Let's put something in that is good for everybody, not La Behemoth," he said. "Would you put up the county building here? It's just too large."

Eager to see more than \$700,000 in new annual tax revenue from the hotel, the city was scheduled to bring a coastal plan amendment for La Bahia before the state Coastal Commission on March 10 but pulled back amid unresolved

concerns from the agency's staff. The developer, Barry Swenson Builder, agreed to the delay in hopes of getting a positive recommendation from the staff, which has raised questions about the height and loss of a historic property.

The proposed La Bahia Hotel, an entire city block long, would rise gradually off Beach Street to sit four stories high off First Street. Penthouses at the top would have dazzling, high-priced views of Monterey Bay.

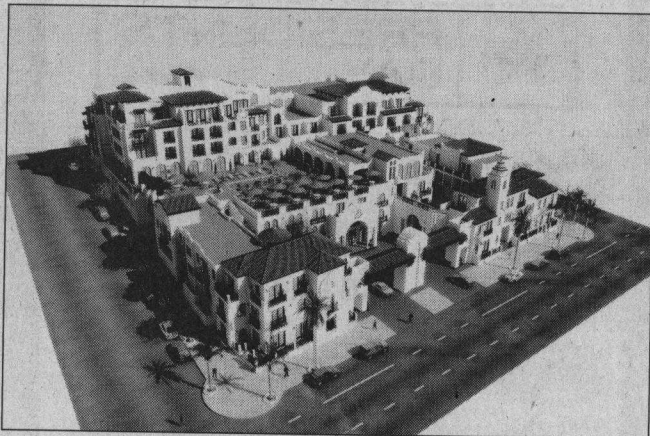
David Celli, Roberts' next-door neighbor, spent a lot of time and money remodeling his early 1900s Craftsman on First Street. The topic of La Bahia causes him to walk in circles around the sidewalk in front of his home, smoking a Camel cigarette and gesturing firmly at the site across the street.

"Losing your view is one thing, losing your air is another," he said. "You should not lose that much quality of life for the area."

However, both men said they won't sell or move if the hotel is built.

"We're just gonna live," Roberts said.

Their other neighbor is Don Webber, who helped organize the Build a Better La Bahia



BARRY SWENSON BUILDER/CONTRIBUTED PHOTO

Under a new proposal, La Bahia would be rebuilt to look as it does in this architect's rendering featuring condos and a hotel.

Coalition that sued the city over the environmental analysis it conducted on the project. The coalition argued the city did not identify enough alternatives that would have saved more of the historic building.

A Santa Cruz judge disagreed last year, saying the

city had sufficiently examined alternatives and determined saving more than the bell tower and other minor features were unfeasible to make the project economically feasible. The coalition has appealed to the Sixth District Court of Appeal in San Jose, but briefs

have yet to be filed.

Jesse Nickell, a vice president at Barry Swenson Builder, said the first La Bahia plan approved by the City Council in 2003 saved 70 percent of the building but was "catastrophic" from an operational standpoint. The front door was on the side and the building couldn't be made wheelchair accessible. Less than half the rooms had an ocean view.

The current plan puts the front door on Beach Street, preserves the historic bell tower, replicates generous courtyards and creates an ocean view for 80 percent of

rooms, Nickell said. He also modified the design to protect views from the street looking up toward the hotel so that ridge lines from the Santa Cruz Mountains would still be visible in the background.

Still, Nickell said he understands the disappointment of Beach Hill property owners who have raised alarm about the project numerous times before the City Council and in other public meetings.

"I'm sympathetic to the effect on their property value," he said. "If I were a neighbor there, I would come to council, too."

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mission during its visit to Santa Cruz March 9-11.

In addition to the hotel's controversial height and scale, which continue to rile Beach Hill residents whose ocean views would be eclipsed, concerns persist among the agency's staff and preservationists about the historic value lost when the 1926 Spanish Colonial Revival apartment building is demolished. Trade union leaders also continue to strongly object because Barry Swenson Builder will not agree to hire all union labor for the hotel, which city leaders envision as the centerpiece for a revival of the beach area.

The city also faced a politically unpredictable Coastal Commission, which oversees land use decisions for 1,100 miles of coastline. Recent shakeups and upcoming reapointments have made the commission's makeup difficult to determine for the next several months.

The coastal plan amendment sought by the city would have required a high threshold of support — from seven out of the commission's current 10 members — to pass. And the vote of commission's only local member, county Supervisor Mark Stone, was as much in question as others.

For all those reasons, Jesse Nickell, vice president of Barry Swenson Builder and the developer's point man on La Bahia, approved of the city's push to delay, even if he said it was "emotionally tough" after nearly a decade of planning. He said his company has already spent \$2.2 million in pre-construction costs for the Beach Street hotel.

"I understand why they made a decision and I agree with them," Nickell said. "They wanted to get the commission staff on board and we wanted a favorable report."

Nickell said he believed the project had a "better than 50-50 chance" of passing in March based on the voting records, political affiliation and environmental philosophy of current commissioners. But, he added, "we have as many as six commissioners being changed between now and May. It could get better."

Despite concerns about the hotel's size, Nickell said he doesn't expect to alter the height, which the company lowered from seven to four



DAN COYRO/SENTINEL

Fallen camellia petals provide a gorgeous floor to the quiet charm of La Bahia's inner courtyard.

stories in response to concerns from commission staff and neighbors after an earlier version was approved in 2003. He said dropping the back by a floor to three stories would make the design "more like a Holiday Inn" and eliminate several high-priced penthouses central to making the project financially viable.

"It would be pretty boxy," he said. "If we lose the height, we lose the undulation and stair-stepping. We'd be better off going to the Coastal Commission and getting the height through."

An altered project also would have to be approved by the City Council, and time is ticking on the business partnership between Swenson, which would get a share of the property when built, and the owner of La Bahia, Santa Cruz Seaside Co. The two companies set a deadline of July 2010 to get approval, but are prepared to wait a bit longer to see their dream come true.

"If we don't get it entitled, we split and go separate ways," Nickell said.

Kris Reyes, spokesman for Seaside Co., which also owns the Santa Cruz Beach Boardwalk down the street, supported the delay. The company, which has been criticized by neighbors for allowing La Bahia to degrade, is counting on building a relationship between the conference spaces at the new hotel and the Boardwalk's Cocoanut Grove.

"Any time a big project

comes before the Coastal Commission you want to make sure you are moving that project in the right way," Reyes said.

Uneven paint and a crumbling facade belie the La Bahia's once-grand appearance. But Reyes said the Seaside Co. has "maintained the property as any property would be maintained" and said it would "really speculative" to discuss whether the company might tear down La Bahia if the hotel project is not approved.

"We aren't looking at contingency plans," Reyes said. "We put a lot of energy and resources into building that we think is a world-class hotel in this community. That is entirely what we are focused on."

The city's planning director, Juliana Rebagliati, said she doesn't know if the hotel project needs to be altered to suit the commission's staff because she won't know exactly what the agency's concerns are until they meet soon. She wasn't immediately sure when the proposal, which would add a special zone just for the hotel to the city's Beach and South of Laurel Area Plans, will be brought back for a hearing.

She said the city will push for a time when the commission meets in Santa Cruz or nearby. The commission's May and July meetings are in the San Francisco Bay Area, and the August meeting is slated for the Central Coast.

"We hope it would be heard before a full commission that

also has the time to get to know the Santa Cruz area, the beach and south of Laurel goals," Rebagliati said.

LOCAL SUPPORT IN QUESTION

The vote local officials are most closely coveting among commissioners is that of Supervisor Stone, who was appointed to the panel in August 2009 by then-Assembly Speaker Karen Bass. As city officials have discovered, Stone's vote is far from being one they can automatically count on.

Much as they did before the commission denied the city's request to pave multiuse trails through the Arana Gulch greenbelt last year, local officials lament they don't know where Stone stands on La Bahia. They believe his support for La Bahia and Arana Gulch, the latter of which will be repropoed, is critical to swaying other commissioners.

"The success of La Bahia now depends on Mark Stone not only supporting but strongly advocating for this project," Mayor Ryan Cooney said. "La Bahia is the most important economic development project that the city has had in the last 10 years, and the conditions on the project — local hire, green building, good wages and benefits — reflect our values. We really believe he can and should be the champion that can finally make this project happen."

For a city facing a projected

AT A GLANCE

LA BAHIA HOTEL

PARTNERS: Santa Cruz Seaside Co. and Barry Swenson Builder
LOCATION: 215 Beach St., bounded by Beach, Main, First and Westbrook streets

SIZE: Up to four stories high on a gradual rise

ACCOMMODATIONS: 125 guest rooms/condos, including several penthouses on the fourth floor at the back of the property; 5,300 square feet of meeting space

PARKING: 201 on-site spaces in underground garage

REVENUE: At least \$600,000 annually in projected hotel occupancy tax and \$135,000 annually in projected sales tax, both collected by the city of Santa Cruz

EMPLOYMENT: An estimated 1,000 construction jobs using 80 percent union and/or local labor; 100 permanent jobs in hotel operations once built

GREEN FEATURES: The building will be constructed to Leadership in Energy and Environmental Design, or LEED, principles; there will be electric car stations, bikes for guest usage, bus passes for employees.

TOTAL COST: Estimated at \$28 million

SOURCE: Barry Swenson Builder

\$6 million deficit over the next 16 months, La Bahia would generate at least \$600,000 annually in hotel occupancy tax and add \$135,000 annually in sales tax from the hotel's restaurant and gift shop, according to estimates from the city and Barry Swenson Builder. And for a county with unemployment hovering around 13 percent, the hotel would create 1,000 construction jobs and 100 permanent year-round operational jobs.

Deputy Police Chief Steve Clark, president of the city's Police Management Association, sent an e-mail to officials in Scotts Valley, urging them to ask Stone, who represents Scotts Valley and San Lorenzo Valley on the Board of Supervisors, to support La Bahia for its economic benefits.

"He needs to know where his constituents are on that," said Clark. "I'm sure he probably has heard from both sides of the issue, but I think it's important for him to know our side."

Indeed, Stone has been lobbied from both sides, but said he hasn't made up his mind, largely because he wasn't able to read a report from the commission's staff about La Bahia. The report was shelved due to the delay.

Stone knows local leaders expect him to endorse their projects because he is an elected official, but said, "I don't make decisions based on politics. My job is to make decisions based on the Coastal Act."

He acknowledged there are political repercussions either way he votes, but said, "I do the best I can and take whatever consequences come my

way."

One politically connected group that continues to fight the La Bahia Hotel is the trade unions, which are dissatisfied with and distrustful of Barry Swenson Builder's pledge to use 80 percent local or union labor in construction. Ned Van Valkenburg, who represents the Carpenters Union Local 505 in Aptos, said the promise is too open-ended.

"It could be zero unions," he said. "That explains it right there."

Nickell, the Swenson representative, said the company will use 40 percent unionized workers and 40 percent labor from the nearby Beach Flats or other local areas. However, he said those percentages could change if there are workers who fit both descriptions.

The animosity between the unions and the developer isn't expected to change during the time the Coastal Commission staff further studies the project. But Nickell acknowledged that the postponement could lead to the developer getting better financing in a year or so.

When the City Council approved the project in April 2009, it approved selling the units in La Bahia as guest rooms or condos, which will allow for better lending rates and a higher return. But, as Nickell acknowledged about the current economy, "No one is loaning for hotel-condos. This gives us some breathing room."

COMMISSION A BIG UNKNOWN

Another critical source of

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LA BAHIA

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support that was in question going into March's hearing was Susan Craig, a staff planner within the Coastal Commission's Santa Cruz office. Craig declined to say whether she would have recommended approval of the city's zoning change, but said the delay can only help to address

lingering concerns.

The city's application to amend its own coastal plan was filed in January, and the city wanted to bring the matter before the commission while the meeting was in Santa Cruz. Craig said the timeline put her in a rush to finish her analysis, and questions she and commissioners have about the hotel's design would have created a rough road for the city.

"It was headed that way,"

Craig said.

Craig said she is concerned about the proposed mass, scale and height of the hotel, which gradually rises on a slope to four stories above First Street. She said she also wants a better accounting of how the project, which takes up an entire city block, addresses the historic value of the existing structure, which is the subject of a lawsuit brought by Beach Hill neighbors last year.

Craig said she couldn't

speculate how the commission would have voted next month, but said members would have been free to disagree with her regardless of whether she supported or disapproved of the project.

The commission's chair, Sara Wan of Malibu, said she had no idea whether the project would have survived a vote and added that she had no personal opinion about La Bahia because Craig's report was not completed. Wan also

said it's too early to know what the political landscape of the 12-member commission — whose members are appointed by the governor and two other top lawmakers — will be if the city waits to bring the request back after four reappointments, including her own, are settled in May.

"We're awaiting some additional changes from the governor," she said. "I don't have any sense of it at this stage."

Two commissioners, both Republican elected officials appointed to the left-leaning commission by outgoing Gov. Arnold Schwarzenegger, were removed by Gov. Jerry Brown last week. They were not immediately replaced, leaving just 10 on the panel. Brown has left two other Schwarzenegger appointees, both Democrats, in place for now, but could also replace them. Stone's seat is up in 2013.