

# Construction booming in Watsonville

By STEVE SHENDER

Watsonville appears to be in the middle of a small building boom, but how long it will last is hard to say.

According to figures released by the city building department, the number of permits issued for single-family dwellings nearly trebled in the first seven months of this year as compared to the same period in 1982. Between Jan. 1 and July 31 of this year, the building department issued 43 single-family residential permits, with a valuation of almost \$2.4 million. During the same period last year, just 15 single-family residential permits, with a valuation of \$877,000, were issued by the city.

Permits for multi-family dwellings have also taken a jump. Between Jan. 1 and July

31 of 1982, one permit — for four units — was issued by the city. During the same period this year, the city issued five permits, for construction of 20 units.

The rise in permits for single-family dwellings may look like an astounding jump, presaging a building renaissance here, but as it turns out, just over half (22) of those permits were issued to a single developer who has yet to turn over a shovelful of dirt on any of the homesites for which the permits were issued. Nello Santacroce, developer of the Meadows subdivision (previously known as the Maranatha Meadows subdivision) on Green Valley Road, said he took out the permits earlier this year to beat the imposition of new energy-conservation require-

ments. He said he has yet to begin construction on any of the homes because he already has 25 houses under construction. The permits for those homes, he said, were taken out last year to beat a pending increase in city building fees.

Santacroce said he wouldn't be building the homes at all but for the fact that a deal to sell his developed, but-unimproved, lots to a San Francisco construction firm fell through. (The firm went bankrupt.)

"We've been hanging in by the skin of our teeth," the Aptos-based developer said. "Most of the profit is gone. We started out to sell (homes) for \$100,000 or lower and now we're up to \$119,000-\$132,000 because of the delay."

Santacroce and real estate

broker Ed Choate both agreed that a dip in mortgage rates earlier this year was an important factor behind the increase in construction, but both said that a rise in interest rates and consumer uncertainty could prick the balloon at any time.

The recent return of 30-year, fixed-rate loans to the 13-14 percent range has slowed things down, said Choate. "Every time the rates go up a quarter percent, we lose a number of buyers," he said. "Once people get conditioned that rates are going back up again, they stop shopping," the real estate broker said.

Choate said the hope in real estate circles is that rates will start coming down again around the first of the year. "But if they hit 15-16 percent (again),

it's going to choke everything off," he warned.

"The drop in the rates always helps," said Santacroce. But, he said, the spectacle of continually fluctuating rates over the last several years has made many home buyers timid about entering the market. "If we went a couple of points lower — to 10 percent — and people were convinced that's it," he said, "we would see a big boom."

"But people are always waiting for it (interest rates) to go lower, and the back and forth action (on rates) doesn't help," Santacroce said. "It makes the consumer get up-tight about what he should do."

City Planning Director Robert Ellenwood said this week that the current spurt in building was in part due to lower interest

rates and in part simply a result of the resumption of construction following an unusually severe winter. Builders had been "discouraged" from going ahead with a number of projects because of high interest rates and heavy rains, he said. "If you were to look at it realistically, we just lost out on what could have been a decent year (in 1982)."

"We're just picking up where we left off," Ellenwood said.

Whatever has been happening in the construction industry here has definitely been a boon to the building trades. Currently, all but 12 of the 125 or so active members of the Carpenters Union local are employed. Last year at this time, 45 to 50 were out of work, according to

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union business representative Jerry Hedin.

Hedin, like Santacroce and Choate, said the surge in construction could fade as interest rates rise.

Even if mortgage rates for single-family homes do not come down again, building trades workers can probably expect to see continued healthy job prospects in Watsonville over the next several months. Planning decisions made earlier this year have virtually guaranteed that there will be significant building "action" in multi-family developments.

The county Housing Authority will commence construction on 70 apartment units here this fall. Lester, Roach and Gardiner, a local real estate and property development firm, is slated to build 192 apartment units at Green Valley and Harkins Slough roads, and another 190 units are eventually to be constructed off Green Valley Road on a site formerly earmarked for 96 condominium-type dwellings. The latter two projects are to be financed by relatively low-interest mortgage revenue bonds.

In addition, grading recently began for the Madonna Vista townhouse development at Clifford Avenue and Main Street, where 85 units are to be constructed. And Ellenwood said this week that another 32-unit townhouse development is also in the works for the Clifford Avenue-Pennsylvania Drive area.