

Hotel failure further divides Santa Cruz

DEMISE OF BIG PROJECT WORRIES SOME LEADERS

By Ken McLaughlin and David L. Beck
Mercury News

Plans for a beachside hotel and conference center that would have transformed Santa Cruz died Friday, ostensibly putting an end to one of the most divisive debates in the city's

contentious political history.

But when local politicians and community activists woke up Monday morning, they found that only the project had died. The animosity swirling around it had been resurrected. And the bitterness threatens to shatter the city's famed "progressive community," which suddenly appears to be coming apart at the

seams.

"Santa Cruz progressives have such a dominant position that we've started to feed on each other," said former Mayor Scott Kennedy. "We enjoy our political battles like blood sports."

The nastiness goes back at least

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Plans had called for a 270-room hotel on to replace the 163-room Coast Santa Cruz Hotel, better known as the former Dream Inn.

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as far as the city council's 4-3 decision in January to approve a 270-room hotel on Cowell Beach to replace the 163-room Coast Santa Cruz Hotel, better known by its former name, the Dream Inn. Plans also called for a six-level parking garage and 23,000-square-foot conference center.

"The opponents saw that 4-3 vote and went after blood," said former Councilman Mark Primack.

Activists take over

Suddenly, downtown was full of anti-hotel activists, collecting signatures for a summertime referendum that would allow voters to override the council's decision.

Some opponents of the project love the city's funky, 1950s feel. They argued that the project was too massive. Proponents, however, said the project was needed to boost economic development — and pay the city's bills.

But the hotel's Idaho owners — the city's partners in the project — weren't up for the fight. After getting the results last week of a new poll showing that the project would prevail but only narrowly, the owners pulled out.

"We're not about to alienate everybody," said Robert Suits,

president of Northwest Hospitality Group. "We're in the hospitality business."

Now that the would-be developers are gone, the locals are going for one another's throats.

"What happened is the city council got together with some little clique that runs the town and didn't talk to the people," said Bill Malone, president of the Santa Cruz People's Democratic Club.

Mayor Mike Rotkin accused his opponents of "living in a play world of some sort. Their answer is always, 'Let's just raise more taxes.'"

In recent years, Rotkin and other self-proclaimed leftists have joined forces with business people to try to restore social services and fiscal health to a city that has seen more than its fair share of budgetary gloom since the dot-com bust and the Sept. 11 attacks.

Santa Cruz's business community, which had hoped to deep-six the city's business-unfriendly reputation, bemoaned the project's demise.

"Any potential investor would really kind of scratch his or her head before considering Santa Cruz," said restaurateur Ted Burke. "I think it definitely will . . . discourage others from wanting to invest in this area — at least within

the city limits."

Rotkin didn't try to spin the news any other way.

"I wish it were not the case," he said. "This is, unfortunately, a very big setback."

Calculating loss

He calculated the combination of "direct city income" from the lost project at \$500,000 a year, to say nothing of the "indirect money from off-season tourists spending money in town."

And, he said, "I don't believe that anyone, either supporters or opponents of the Coast Hotel project, has any realistic alternatives in mind."

Primack, who along with Kennedy lost his seat in November's election, also worries about Santa Cruz, saying the soaring property values — coupled with a lack of economic development — are destined to destroy cherished community values.

Santa Cruzans moved here "because it was *not* Carmel."

"But the demographics are going to change," he said. "Wealthy people and retirees don't need schools and junior lifeguard programs. They have their country clubs and their backyard pools."

In recent years, said restaurateur Burke, Santa Cruz voters have been generous —

unanimously turning back a challenge to the city's utility tax with the help of the business community. In addition, businesses supported the city council in its effort to raise the sales tax by a quarter of a cent.

But, Burke said, that may change. "I think that people do get a little discouraged when the community refuses to help itself," he said.

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