

WATSONVILLE  
Planning  
1986-1989  
1700

# Watsonville closes redevelopment deal

By JAMIE MARKS  
Sentinel staff writer

WATSONVILLE — Three times was the charm for San Jose developer Barry Swenson, who sealed an agreement with the Watsonville City Council Thursday afternoon for redeveloping Main Street's 200 block.

Swenson has been negotiating with the city, in its capacity as the redevelopment agency, for about two years, and twice before his proposals to renovate the 200 block had been rejected.

The latest agreement was hammered out after eight months of negotiations. It calls for Swenson to buy some 2.2 acres of the 200 block for \$900,000, with

\$250,000 as a down payment.

In place of the dilapidated buildings there now, Swenson said he'll build a 34,000-square-foot commercial and retail center.

"I'm glad we finally got it resolved," Swenson said, adding he'll begin construction "as soon as possible," perhaps within the year.

The council held its meeting in public, after calling a late-night closed-door session earlier in the week to iron out a few details.

Still, not all the council members supported the agreement. Councilmen Vido Deretich and Dennis Osmer voted against it, saying they couldn't support a deal that called for the city to "subordinate" its claim on the property to a construction loan Swenson will

take out to build the project.

By subordinating its deed of trust on the property, the city will have to pay off Swenson's construction loan, or risk losing the city's claim on the parcel, if Swenson goes bankrupt.

Saying he was willing to risk his own money but not that of the city, Deretich said, "I have no problem with the developer ... but I am not willing to subordinate."

Asked by Osmer if there was any way to get out of that clause, City Manager John Radin said, "There's no way for him to get construction money without it."

In deference to the city, Swenson agreed to a few changes in the agreement that had been made public two weeks ago.

On the subordination clause, instead of seeking a \$4.6-million loan, Swenson agreed to let the city subordinate its claim for just the appraised value of the project. Swenson has said the project will cost around \$2.3 million to build.

As to the payoff schedule, Radin said the city will waive the first three years of interest, from the date the agreement is signed. Additionally, the city may defer interest payments for two more years after that.

The previous agreement called for the city to defer interest payments for two years from the point the city issues a certificate of completion. Some councilmen had feared that would be years from now.

A balloon payment for the balance of the \$650,000 is due in 10 years.

A lot of time was spent discussing whether to include an incentive clause that would give local businesses a break on rents in the new building. The original agreement said only businesses that had had licences for five years would be given rent incentives of 75 cents a square foot, up to 95 cents a square foot after three years.

But finally the council decided to reduce the business-license requirement to just two years, and possibly change it if it doesn't work. Franchises and national tenants aren't eligible for the reduced rents.

Swenson said he probably would not include any housing in the project. Although that had been suggested by the council, Swenson said, "The last discussion with the people in the city was that it was not highly desired."

"Sometimes housing mixes well with retail, sometimes it doesn't," he said.

Swenson said most likely the project would be one story with a small second story.

The U.S. Postal Service has bought the other two-thirds of Main Street's 200 block, and has plans to build a large postal facility. However, those plans have been delayed until 1989 because of budget constraints.

Swenson said he's tried to work out design details with the post office, but added, "It's difficult to coordinate with them."

Councilman Rex Clark apologized for remarks he made two weeks ago, calling into question Swenson's reliability.

He said he'd checked into Swenson's other projects and heard praise. "I feel Mr. Swenson is very competent and a well-qualified developer," Clark said.

REFERENCE

SANTA CRUZ SENTINEL  
August 19, 1988