

# Downtown rents may nearly double

VISION  
SANTA  
CRUZ

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**SANTA CRUZ** — Downtown storefront rents, which averaged about 84 cents per square foot before the October earthquake, will climb to \$1.50 in new buildings, economic consultants predicted Monday.

Merchants will have to boost sales by about 20 percent to afford the new rents, said Bob Cline and John Clawson, economic consultants hired by Vision Santa Cruz to help guide a rebuilding plan for the Pacific Garden Mall.

They estimated the cost to rebuild retail space at about \$135 per

square foot, including land costs. To support that cost, the rent must be close to \$18 per year, per square foot, or \$1.50 per month.

Other economists have predicted that some merchants will be priced off the new mall, but Cline and Clawson spoke more optimistically.

"Much of your competitive advantage (as a shopping area) comes from your small, local retailers. ... They'll just have to be more productive to pay the higher rent," said Clawson.

Both men said they thought an overall increase in business of 20 percent or more was possible once

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the mall is complete and if it's marketed successfully to capture shoppers from other areas of the county.

Vision Santa Cruz, a 36-member community panel which is assisting the City Council with a rebuilding plan, also has hired design consultants. That team will give its final report next Monday night.

The task then will be to merge architectural dreams with economic reality, Mayor Mardi Wormhoudt cautioned at a recent City Council study session. The City Council is scheduled to receive the overall Vision Santa Cruz plan April 24.

Whereas small merchants give the mall its charm, large department stores like Gottschalks and Ford's attract the crowds, Cline and Clawson said.

They reiterated an earlier warning that one and preferably both anchors must be retained or replaced to successfully rebuild the mall.

Clawson and Cline also said the first phase of the rebuilding plan must be big and impressive to set the tone that downtown is a viable shopping area.

Likewise, they said, first housing projects south of Laurel Street or along the river also must be large-scale to state that new neighborhoods are being built.

"New neighborhoods must be done in a big way if housing is to be down correctly," said Cline.

They had better news Monday night for property owners wishing to rebuild with office space on upper floors.

Clawson said he and Cline had underestimated the office potential and now believe that some businesses can even be lured from mid-county and Scotts Valley.

The consultants suggested that office space be concentrated in the northern part of the mall because of its proximity to Water Street, banks and the county center. Adequate parking, they said, is crucial to office tenants.

The suggestion for concentrating office space on the northern part of the mall could be thwarted if the St. George Hotel, which occupies half of one key block, is preserved as a residential hotel. Owner Barry Swenson's plans to demolish the building have been stalled by historic-preservation issues.

Building office space will be most cost-effective on larger parcels, the consultants said. Office space in small buildings may not be economically feasible, they said.

Cline and Clawson had bad news for the many members of Vision Santa Cruz who hope much of the new housing that can be created downtown will be affordable.

They estimated the market at about 150 new housing units per year over the next 10 years. The biggest demand, they said, will be for rental units.

But again because of new building costs, they said the ability to construct much affordable housing will be "tight."

Single-room occupancies are needed, but must be quality units and managed well, they said.

The only market they see for "for-sale" housing will be for condominiums, primarily along the riverfront.