

# Mixed development having trouble getting financing

Lenders won't finance a mixed commercial-residential development proposed for the area around the Bay View Hotel, Aptos Chamber of Commerce members were told this morning.

The Aptos Village General Plan requires such a mixture for the Village area.

Ron Miller, developer of the proposed 4.3-acre Aptos Junction project behind Aptos Station and the Bay View Hotel, told Chamber members that his group has been unable to find anyone willing to lend the estimated \$3 million needed to complete the Junction project.

Miller said he would like to see the area's General Plan changed.

Supervisors' Chairman Robley Levy also said she was concerned about the financing problems encountered by Miller and others trying to build the mixed occupancy projects in the area.

But she indicated that she did not favor attempts to change the General Plan to eliminate the "residential above the commercial" language.

Mrs. Levy told the chamber that the county has been presented with another project, for land next to the Terrible Herbst gas station, that does not have the residential units included.

"The applicant told us," she said, "that there was a real problem in getting financing for a mixed use.

"I would like to know what the problems are," she added.

Gordon Maxinoski, manager of the Aptos branch of County Bank, and one of those appointed to a study committee by chamber president Rober McKenzie, said that banks and others who underwrite the initial financing for develop-

ment projects, like to, in turn, sell the mortgages to investors, and then reinvest their capital in other projects.

"It is almost impossible to find an investor who will buy a mixed project.

"They either like the high yield of a commercial project or the security of residential. They don't like a mixture.

"And then there is the problem of how do you price a mortgage — is it residential or commercial? And what do you do with a foreclosure and the residents?

"Also, it is a unique thing right now. There aren't very many such projects," he added.

Miller echoed Maxinoski. After the meeting, he said that lender after lender contacted about financing the project said he would

not finance a residential-over-commercial development like the Junction, and as envisioned in the Aptos General Plan for other parts of the Village, because of past experience with maintenance and tenant problems encountered in older areas.

"We don't know of any lender who would be willing to lend on a project with residential over commercial," Miller said.

Mrs. Levy welcomed chamber president McKenzie's suggestion that the chamber form a committee to explore the financing problems. But she was cool to any suggestion that the chamber might propose deleting the residential-over-commercial requirement from the General Plan. She shook her head firmly when Miller suggested during the meeting that the General Plan be rewritten to exclude the residential requirement.

She also warned the chamber that it would take a very long time for any such change to be approved by the supervisors.

Miller said he didn't believe he would have a hard time finding financing for the project — 30,000 square feet of commercial space, 2,000 square feet of professional offices, and 17 apartments — if the apartments were converted to commercial or office space.