



# SANTA CRUZ ASSOCIATION OF REALTORS® LEGISLATIVE WATCH

## LGR GUEST SPEAKER, NEW CITY COUNCIL MEMBER, TONY MADRIGAL

LGR committee and guests listened to one of Santa Cruz's newest city council members, Tony Madrigal, provide insight into being just recently elected to the City Council. Speaking with a great deal of enthusiasm and a disarming demeanor, Mr. Madrigal spoke fondly of Santa Cruz and his interest in politics. He remembers his days as a transfer student at the University as a renter, and says that he continues to be a renter. He talked of his family and his mom who raised her children successfully on her own. His grandmother still points out property that she "could have purchased for \$10,000" (a long time ago!). When asked about the Coast Hotel project (described below), he said he already knew how he was going to vote on this project—but unfortunately, he wouldn't reveal that position. He talked about the need for business in Santa Cruz and his work with the SEIU, the local union. Before his election to the City Council, he said that he walked the precincts on the Eastside of Santa Cruz and he spent time talking to students at UCSC. Walking the precincts on the Eastside proved to be a winning choice because residents there were flattered to be approached by a candidate. He talked about his beliefs in "social justice," but pointed out pragmatically that programs take financing, and therefore economic development is important. He said that often the very folks that want help in various social programs oppose projects that bring needed revenues to the city. Mr. Madrigal is an interesting person who cares about people and Santa Cruz.

## CITY OF SANTA CRUZ

### ***Santa Cruz Coast Hotel Project Public Hearings January 18 and 19:***

On January 18, in City Council chambers, the public heard a two-hour presentation of the proposed remodel and reconstruction of the Coast Santa Cruz Hotel (the former Dream Inn). After the presentation, the large majority of speakers—well over 100—favored the project or believed that minor revisions were needed. The next night, January 19, another hearing took place at the Civic Center. The public heard a majority of speakers providing opposing testimony to the project, yet the auditorium was dotted with many audience members holding "Yes" or "Si" yellow placards. Some held small signs that said, "Vote No, or Go Slow."

What is the project about? The owners of the Coast Hotel have proposed to demolish the existing 163 room hotel and construct a new 260–279 room hotel and restaurant on the site of the

current hotel and a conference center and parking structure on the parking lot across the street, at the corner of Bay and West Cliff. A pedestrian bridge would connect the two structures. The city and the Redevelopment Agency would own the conference center and parking garage. The parking garage would provide up to 650 parking spaces on six levels at a height of 49 feet. The parking garage seemed to be the major "bone of contention" among those opposing the project. Neighbors voiced concerns about increased traffic. An engineering company, Higgins and Associates, was hired to perform studies of the impact of the project on traffic. The analysis included evaluating the Coast Hotel project impact now and into the future with other additional development that may occur in the future. Higgins' EIR says that although several intersections will be affected, the effect can be mitigated by requiring the hotel owner to pay its fair share contribution toward improving those intersections with strategically placed traffic signals or roundabouts at key intersections, including Bay Street to and from Mission Street (Highway 1), as the impact on the intersection of Bay and Mission will be significant until such time as the city reconstructs the intersection.

Background history of this project involves the adoption by the City Council of the Beach and South of Laurel Comprehensive Area Plan (B/SOL) in 1998 and certified by the California Coastal Commission in 2002. The B/SOL Plan identified development of a major hotel/conference facility in the Beach commercial area that would act as a stimulus to extend the operational season of the area, attract quality investment, and provide additional jobs and tax revenues. At that time, the La Bahia Apartments site was the most suitable site in the area for the development of a major hotel/conference facility. Due to many issues, the proposal was declined by the owners. Instead, the La Bahia site was developed into a 118 room boutique-sized hotel without a conference facility. So, in November 2003, the City and the owner of the Coast Hotel began negotiations to develop a participation agreement. The owner would finance the hotel and payment of existing debt and manage the hotel; the City and Redevelopment Agency, in ownership of the garage and conference center, would derive income from the conference center and garage, as well as increased Transient Occupancy Tax (TOT) revenues. The Redevelopment Agency will issue bonds of approximately \$25–30 million to finance the construction of the parking structure and the shell of the conference center. The hotel owner would bear the costs of constructing the interior improvements to the



conference center. The bonds would be repaid by the new revenues generated by the project, which are anticipated to be approximately \$2.7 million per year once the operation is stabilized in its third year of operation.

**Tannery Arts Center Public Comment Sought Prior to February 10, 2005:** The proposed project consists of the redevelopment and reuse of the former Salz Tannery for development of the Tannery Arts Center project. The 8.3-acre former Salz Tannery site is located in the City of Santa Cruz just north of the intersection of Highways 1 and 9 and west of Highway 17. The site is comprised of a total of three parcels which are owned by Salz Leathers, Inc., and the project site also contains portions of parcels owned by Caltrans.

The Tannery Arts Center project is intended to meet the following objectives:

- Redevelop and reuse the now vacant Salz Tannery site and provide for the historic reuse of the former Salz Tannery buildings;
- Achieve a number of the primary goals identified in the Cultural Action Plan prepared by the Cultural Council of Santa Cruz County in 1999 including collaboration and sharing of facilities and working and living space for artists, community-based cultural centers, and other support;
- Provide for the affordable housing and art studio needs of individual local artists;
- Provide for theater complex, classroom, rehearsal, and administrative space needs of leading local art organizations;
- Resolve long-standing transportation and visitor parking issues including construction of a regional park-and-ride lot and local roadway improvements and the extension of the San Lorenzo River bikeway;
- Preserve Central Home Supply in its general location.

Project and site goals include:

- Construct affordable live-work spaces for artists;
- Create artist studio space;
- Develop performance space for dance and theater;
- Develop gallery and retail space for visual artists;
- Develop critical administrative office and support space for local nonprofit arts organizations;
- Develop dedicated arts education space for a variety of classes

including local artists, City Parks and Recreation, Cabrillo, and UCSC Extension programs;

- Retain significant historic structures.

The need for the following types of spaces was determined via individual artist and art organization surveys conducted by Artspace Projects, Inc. for the City of Santa Cruz Redevelopment Agency in 2002:

- 100 affordable residential rental units;
- 55,000 square feet of artist studio space;
- 40,000 square feet of office and studio space for arts organizations within the "Arts and Education Center" with a 75-seat theater and approximately 6,600 square feet for arts education;
- One 250-seat theater (Hide House) and a smaller 150-seat theater with dance rehearsal and support space (Ballet Building); and
- 12,500 square feet of retail space for a café, art gallery, and other retail uses.

For more information on the Draft Environmental Impact Report and to make comments before February 10, 2005, refer to the city's web site: [www.ci.santa-cruz.ca.us](http://www.ci.santa-cruz.ca.us).

### **Dennis McKenzie's Class on Tax Deductions for Real Estate Agents**

SCAOR hosted a class on Tax Deductions for Real Estate Agents, and Dennis McKenzie presented some interesting tax tidbits for 2005. Dennis's classes are highly entertaining and very informative! Here is a small sample:

- 1) The number one audit item is donating a car to charity because folks inflate the value. The IRS now only allows write off at the price for which the charity sold the donated car.
- 2) If you combine business and pleasure travel within the U.S. for less than a week, you can deduct 100% of your transportation costs if you spend at least 51% of your days at business and no more than 40% of your days at pleasure. Then you separate the deductible business days from the nondeductible pleasure days for the other business expenses, such as hotels and meals. But if your trip is more than a week, then business time must be 76% or more to deduct 100% of the transportation cost. Finally, for 50% or less business in less than a week, there is NO deduction for transportation; and



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for 75% or less business in more than a week, the transportation cost is allocated between business days and play days.

- 3) Beginning in 1999, the law liberalized the home office deduction for many people including real estate agents. The home office must be used "exclusively" and "regularly" to meet with customers and handle business affairs. No personal use is allowed. Take photos of the home office, and get a processing date.

**For more information, talk to your tax advisor on these ideas and others related to 2004 taxes!**

## COUNTY OF SANTA CRUZ

**Adoption by Board of Supervisors on January 11 of Housing Element:** After hearing predominately opposing testimony from the public, the Board of Supervisors decided to unanimously approve the Housing Element Draft. Most of the speakers were in agreement that the Housing Element should be certified, but are presently dismayed, due to recent revisions that were made to the March 2004 draft, without adequate time to review the changes. If substantial changes are made, then more public input should be included.

Changes involve:

- 1) Clarification to questions raised by the State Housing and Community Development Department (HCD);**
- 2) Changes to sections 4.6 and 4.7 which address housing needs and program changes; and**
- 3) A list of inventories for potential sites.**

As required by state law, the county must take a number of steps to adopt the Housing Element at this time. The county's proposed draft must be sent to HCD so that it can be certified. In the event that certification is not obtained, the county must take a number of actions to comply with the process defined in state law for "substantial compliance" with State Housing Element law. Currently, California Rural Legal Assistance (CRLA) has initiated legal action against the County—the main issue being that numerous residents cited through the code enforcement process for illegal construction have attempted to defend their actions in court through the suggestion that lack of an adopted Housing Element renders the county's enforcement actions illegal. HCD should respond in approximately 45 days. Meanwhile, the litigation with CRLA is currently pending. For more information,

go to [www.co.santa-cruz.ca.us](http://www.co.santa-cruz.ca.us) and click on agendas and minutes for the Board of Supervisors **"Watch!"**

## REGIONAL TRANSPORTATION COMMISSION REVIEWS

**Highway 1 Widening/HOV Lane Project: Public Hearing on January 18 to Select Project Alternatives for the Project Approval/Environmental Document (PA/ED):** Following the defeat of Measure "J," the Regional Transportation Commission (RTC) held a public hearing on January 18 to hear new transportation alternatives. The project consultants worked with staff and the Project Development Team (PDT) over the course of the last several months to develop the initial list of project alternatives. Per the original scope of services and contract budget, up to seven (7) alternatives can be considered as part of the environmental document. Four alternatives were identified at the time the project was initiated, based on the Caltrans Project Study Report, and were included in the consultant contract scope of work. The Regional Transportation Commission voted to submit the following set of alternatives listed below to Caltrans, the lead agency. (It should be noted that Dennis Norton stated that the City of Capitola unanimously voted to support only proposed Alternative 2.)

**Proposed Alternative 1: No Build Alternative—**The No-Build Alternative offers a basis for comparison with the build alternatives in the future analysis year of 2030. This alternative assumes no major construction on Highway 1 through the project limits other than programmed improvements and continued maintenance. Programmed projects include the Highway 1/17 Merge Lane project and the installation of a median barrier on Highway 1 between Freedom Boulevard and Rio Del Mar Boulevard.

**Proposed Alternative 2: Traffic System Management (TSM) with Auxiliary Lanes (\$100M)—**This alternative is a relatively low-cost strategy to improve highway operations within the project limits without continuous widening. It consists of ramp-metering, auxiliary lanes, electronic monitoring, and notification systems. The cost estimate provided above is based on locations identified in the Caltrans Project Study Report. Locations will be considered based on further analysis.

**Proposed Alternative 3: One HOV Lane in Each Direction (\$390M)—**This alternative maintains Caltrans' design standards to the maximum extent reasonable. Where the existing median width is less than the standard, 13.8 meters, the



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roadway would be re-striped to provide the standard shoulder and the HOV lane, and the highway would be widened at the outside shoulder. Retaining walls would be constructed at the most effective and visually appropriate locations to minimize right-of-way acquisition and to separate frontage roads from the highway.

**Proposed Alternative 4: One HOV Lane in Each Direction (\$300M–\$350M)**—The focus of this alternative is to identify and assess opportunities to reduce impacts associated with Alternative 3 through the use of obtainable and justifiable design exceptions, without unacceptable impacts to operations or safety. This alternative would enable the addition of the HOV lane with reduced highway widening and would require fewer retaining walls and/or fewer structure replacements and/or less right-of-way and environmental impacts because the existing roadway cross-section would more nearly accommodate the proposed cross-section.

**Note:** Various options for three additional alternatives were initially presented to the RTC in November, 2004. Based on direction at that time, the consultants have eliminated the option for direct ramp to/from HOV lanes from their recommendation. The consultants and staff propose the following three options for the final three alternatives for the PA/ED:

**Proposed Alternative 5: Diamond Interchange Configuration**—This alternative offers an alternative design configuration for selected interchanges along the corridor in order to potentially reduce right-of-way and environmental impacts. The diamond interchange design is generally preferred by bicyclists and pedestrians as it eliminates high speed free-flowing ramp operations found at many existing interchanges. A variation of this design is also included for the 41st Avenue-Bay Avenue/Porter Street interchange complex as a single interchange system utilizing one-way frontage roads. Project costs for this alternative are anticipated to be similar to Alternatives 3 and 4 above, depending on shoulder width.

**Proposed Alternative 6: Improved Transit Access**—This alternative would analyze opportunities to provide improved transit access to/from the HOV lanes, primarily for buses. Two preliminary options to be considered for this alternative include direct ramps from the HOV lanes to the local streets and bus access or stops on the freeway outside of the freeway mainline using the on/off ramps. The goal of this alternative is to increase

the effectiveness of buses using the HOV lanes by reducing the time it takes a bus to leave the freeway to load and unload passengers. This alternative has the potential to increase the environmental APE, but variations may be able to be developed within the APE. Project costs for this alternative will be similar to or slightly higher, \$10M to \$20M higher, than alternatives 3 and 4 above.

**Proposed Alternative 7: Undefined Hybrid**—The final proposed alternative is undefined at this time. This alternative could be used to develop a hybrid project that would incorporate elements of other alternatives analyzed through the course of the environmental study.

Two other concepts that have been discussed but are not recommended for inclusion in the selected set of project alternatives are construction of an eight (8) lane facility and widening to provide six (6) mixed flow lanes (no HOV lanes). These options were not supported by the commission at previous meetings and are not recommended to be added at this time for several reasons, including very little public support at previous commission meetings, and neither option meets the project goals. Finally, the eight-lane option would probably have greater right-of-way needs and therefore greater environmental impacts and higher cost than the recommended alternatives.

As part of the alternatives evaluation process, the consultants propose to conduct a **Transit Market Analysis** to aid in the assessment of the alternatives in meeting the stated purpose and need of the project. This analysis, to be coordinated with Transit District staff, includes an investigation of the potential size of the transit market based on literature surveys and information from the Santa Cruz Metropolitan Transit District. Consideration will be given to options and enhancements to attract more transit users and to the effectiveness of the selected Highway 1 Widening/HOV Lane project alternatives in supporting and enhancing the transit system.

For more information, go to [www.sccrtc.org](http://www.sccrtc.org).

*Please Note: The Legislative Watch is prepared by Rose Marie McNair, Governmental Affairs Director, and is only a summary not intended to provide legal advice and should always be verified for accuracy.*