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original staff report

Th12a

Prepared December 10, 2014 for December 11, 2014 Hearing

To: Commissioners and Interested Persons
From: Susan Craig, District Manager
Karen Geisler, Coastal Planner
Subject: **STAFF REPORT ADDENDUM for Th12a**
Appeal Number A-3-STC-14-0049 (La Bahia Hotel)

The purpose of this addendum is to provide some additional context and materials for consideration in the above-referenced matter, all of which is related to the relative feasibility of the various options considered for development at the La Bahia site. Specifically, this addendum adds several documents, which were relied on by the City in making its CDP determination, as exhibits to the staff report. This addendum also adds some background findings regarding some of the differences between this project and the project that was the subject of an LCP amendment in 2011. These additions only refine the staff report and recommendation, and do not alter the recommendation, which continues to be that the Commission find no substantial issue.

1. Add the following exhibits (see attached) to the staff report as noted:

Exhibit 9: “*Structural Engineering Review*” by Biggs Cardosa Associates, Inc. (December 18, 2013).

Exhibit 10: “*La Bahia Hotel Proposed Project and EIR Alternatives Feasibility Analysis*” by Economic and Planning Systems, Inc. (July 18, 2014).

Exhibit 11: “*La Bahia Proposed Project and Project Alternatives Fiscal Impact Analysis*” by Economic and Planning Systems, Inc. (July 18, 2014).

Exhibit 12: “*Low Cost Visitor Facilities in the City of Santa Cruz*” by City of Santa Cruz (August 13, 2014).

Exhibit 13: “*Low Cost Visitor Accommodation in Santa Cruz and the Expected Effects of La Bahia Hotel Development*” by Economic and Planning Systems, Inc. (July 18, 2014).

2. Add the following findings to the staff report on page 9 (as the final paragraph in the “La Bahia Background” section of the report):

An issue that was before the Commission in the previous project and the 2011 LCP amendment was related to low-cost visitor-serving facilities. Specifically, the LCP did not and does not include LCP policies that explicitly require that hotel projects provide (including through mitigation as necessary) lower cost accommodations. Given that the site is inland of the first public road, the Coastal Act policies that protect low-cost options also did not and do not apply at this location. As a result, that LCP amendment, and the Commission’s deliberations on it, included provisions adding appropriate low-cost facility policies to the LCP. Because the Commission denied the LCP amendment, those policies were not added to the LCP.

The City’s position, both then and now, is that it provides a significant amount of free and low-cost facilities (e.g., the City-owned Carmelita Cottages hostel, the City-owned Municipal Wharf, the Monterey Bay National Marine Sanctuary Visitor Center (located on City-owned land and required by the City to provide free admission to the public), numerous trails and paved paths, etc.), and that the City is looking for projects to ensure that the City’s overnight accommodations portfolio includes a range of products (see the City’s low-cost visitor analysis and memo from the current project’s file to this effect in Exhibit 12). In addition, the City notes that their aforementioned BSOL Area Plan calls for a variety of overnight accommodations, recognizing that the City has a large number of smaller overnight facilities that are of lower quality. The Plan calls for upgrading existing aging hotel stock,¹ developing a full-service conference hotel, and overall providing for a range of overnight accommodation products (e.g., bed and breakfasts, hostels, motels, hotels, full-service conference hotels, etc.). Thus, this current La Bahia project does not include requirements to provide certain low cost facilities or in-lieu fee mitigation based on the City’s assessment that (a) the LCP does not require it; and (b) even if it did, the City’s efforts on behalf of providing low-cost visitor-serving facilities is significant and appropriately addresses the Coastal Act objectives in this respect. In any case and importantly, the question of whether the City’s action on the current project adequately addresses low-cost visitor-serving accommodations was not an appeal contention, and is thus not before the Commission as a standard of review for this substantial issue determination.

¹ The City has a hotel improvement loan program designed to help facilitate and incentivize such upgrades.

INTRODUCTION AND SUMMARY

Biggs Cardosa Associates Inc. has prepared this preliminary structural investigation regarding the rehabilitation and reuse of the La Bahia complex located at 215 Beach Street in Santa Cruz, California. Biggs Cardosa Associates has over 25 years of experience in structural retrofits of historic buildings, many of which are located in Santa Clara and Santa Cruz Counties. Our experience includes retrofit and restoration of unreinforced masonry, wood, steel and concrete structures. Examples of our projects include the Jose Theater, St. Josephs Cathedral, the Hayes Mansion, the Fallon House, the Metropole Building, the Montgomery Hotel, the DeAnza Hotel, the Letitia Building, the Security Building and the First Unitarian Church all of which are in San Jose, California.

The purpose of this report is to serve as a supplement to an Environmental Impact Report compiled by Strelow Consulting. It provides information regarding the structural conditions and requirements for the existing buildings. It is our understanding that there are two alternative proposed; full preservation of all buildings and partial preservation including only some of the buildings. The information provided below applies to both alternatives.

ASSUMPTIONS

The information in this investigation is based on the following:

- Two site visits were performed to view the exterior of the building. Observations were limited to what was visible at the time of our site visit. Demolition of existing finishes to verify existing construction and testing of existing materials was not performed.
- Original drawings by William C. Hays. Architect, some sheets dated 3/11/26, Sheets 2 through 9
- Geotechnical Investigation by Pacific Crest Engineering, Inc dated January 28, 2008
- Geotechnical Update Report by Dees & Associates, Inc. dated October 5, 2013
- Liquefaction Mitigation Alternatives Letter by Dees & Associates dated December 3, 2013
- Telephone conversation with Gary Taylor with Hayward Baker, Geotechnical Construction.
- City of Santa Cruz Initial Study / Environmental Checklist Draft dated July 1, 2013
- Historic Resources Technical Report by Architectural Resources Group Draft dated December 18, 2013

The following is a summary of our observations of the structure, code requirements, deficiencies found and recommendations of structural modifications to the existing structures.

BUILDING DESCRIPTION AND CONDITION

The project was constructed in the late 1920's on the site which slopes from the northwest to the southeast. The subject project consists of two and three story wood-framed apartment buildings situated around two outdoor courts. According to original architectural drawings, the five separate buildings that make up the complex are organized into six divisions (Blocks) used for clarification and design. The apartment buildings face Westbrook Street to the East and Beach Street to the South. Surface parking and a backfilled swimming pool are located on the northern portion of the site.

The structure's highest point is the bell tower that sits approximately 53' above Beach Street level. The 1st, 2nd and 3rd floor heights are at approximately 13', 23' and 32' respectively. The square footage of the footprints and the number of stories of the divisions are as follows:

Block Number	Approximate Footprint	Number of Stories
1	1,930 square feet	2
2	2,280 square feet	1
3	2,490 square feet	3
4	4,250 square feet	2
5	2,830 square feet	2
6	2,860 square feet	2

Interior walls are 2x4 stud walls with wood lath and plaster on each face. Exterior walls are 2x6 stud walls with wood lath and plaster on the interior face and plaster over what appears, on the drawings, to be wood sheathing on the exterior face. The drawings do not indicate if the wall sheathing is straight or diagonal. The floor framing is constructed of straight sheathing over 2x8 joists. The roof is assumed to be constructed of wood carpenter's trusses with spaced straight sheathing supporting the roof tiles.

The buildings are supported at their perimeters by unreinforced concrete footings extending approximately 12" below grade. Buildings are supported at the interior by 4x8 girders spanning to 4x6 posts that rest on interior concrete spread footings.

Structural Drawings include no information with regards to the intended lateral load resisting system. As constructed, the floors and roofs are serving as diaphragms and the interior and exterior walls act as the shear walls. The drawings show no connection from the walls to the foundations and no reinforcement in the footings.

The building is in poor condition and appears to be minimally maintained. The exterior plaster has areas with cracks, some of which appear to be the result of foundation settlement. There are signs of water infiltration and plumbing leaks which have likely resulted in dryrot in some of the structural members.

DESIGN CRITERIA AND EXPECTED BUILDING PERFORMANCE

At the time this report was written, the currently adopted code was the 2010 edition of the California Building Code (CBC). The State of California is intending to adopt the 2013 CBC on January 1, 2014. We assume that design work on this project be submitted for City plan check review after January 1, 2014, therefore, our evaluation is based on the 2013 CBC.

Vertical Load Resisting System

In existing buildings, where there is no increase in dead or live load and the members show sign of distress, the Vertical Load Resisting System is considered to have "withstood the test of time" and is assumed be adequate. The proposed project will likely include modifications that will require strengthening of the vertical load resisting system due to change in load. Also, the condition of the building indicates that there may be damage to the existing wood framing. Therefore, upgrades to the vertical load resisting system will likely be required under the following conditions:

1. Where members are damaged due to pests or moisture. Depending on the severity of the damage, the members can be repaired or replaced to match the original member size.
2. Where there are signs of damage or distress due to over loading. For example cracks and checks in beams, bowing columns and sagging floors. In this case the existing members should be analyzed and strengthened or replaced as required.
3. Where load is increased. For example, if gypcrete is added to the floors or if a heavier roofing material is added to the roof. In this case the existing members should be analyzed and strengthened or replaced as required. Conversely, load may be reduced to compensate for additional load, for example, by removing the existing wood lath and plaster on the ceiling and replacing it with gypsum board or installing a lighter roof material.
4. When a change in use requires the building to be designed for a live load greater than would be required for the original building use. For example if a guest room is changed to an office or a meeting room. In these cases the existing members should be analyzed and strengthened or replaced as required. Additional support members will likely be required where there is an increased live load.
5. Where the Vertical Load Resisting System is altered. For example where a bearing wall is removed to increase room size. In this case the existing members should be analyzed and strengthened or replaced as required. Additional support members will likely be required where the vertical load system is altered.

The retrofit and reuse of all or portions of the existing La Bahia building will likely be impacted by all five of the above items. Until the existing framing is exposed and a final building plan is developed, the extent of each item cannot be determined.

Although the foundation system of the buildings is unreinforced and does not meet the requirements of the current code, much of the system appears have to performed adequately for the life of the building to date. There are signs of settlement or lateral movement in some areas

indicated by large diagonal cracks in the exterior wall plaster. With our limited access, we did not confirm that the foundations were damaged at these locations. Due to the lack of reinforcement, some damage can be expected where the building has settled or moved.

The analysis of existing members would be done using the current edition of the California Building Code (CBC). All new members would be designed to meet the requirements of the current edition of the CBC.

Lateral Load Resisting System

Design criteria for the lateral analysis of existing buildings may vary based on the intent of the building owner and requirements of governing agencies. Generally accepted guidelines for analysis include the most current edition of the California Building Code (CBC) as the most stringent criteria. Performance goals of the current California Building Code for lateral loads include mitigation of life safety hazards as well as damage control.

When evaluating existing buildings and seismic retrofit is not mandatory, it is not uncommon to reduce the performance goal level to include mitigation of life safety hazards only. Evaluating the building for life safety only would reduce the required load level for which the building would be evaluated. The reduced load could be established using the California Historical Building Code (CHBC) which allows current evaluation recommendations set forth by the Federal Emergency Management Agency (FEMA), the American Society of Civil Engineers (ASCE) or American Technology Council (ATC) and/or a benchmark version of the Uniform Building Code (UBC), etc.

There are three conditions that would either require the buildings be brought up to a performance level greater than life safety or would require particular elements of a building to be retrofitted. The first condition is if there is a proposed change in occupancy to an occupancy with a higher relative hazard level. For example if the current classification is residential and the use of the building is changed to assembly, a current code retrofit would be required. The second condition is regarding increasing the weight of the building. If the added load causes the demand/capacity ratio of any of the existing lateral load resisting elements more than 10% from the original demand/capacity ratio, it is required that the deficient element meet current code. The third condition is regarding decreasing the lateral load capacity of the building. Examples of this would be removing existing walls and increasing the size of existing window or door openings. If the reduced capacity causes the demand/capacity ratio of any of the existing lateral load resisting elements more than 10% from the original demand/capacity ratio, it is required that the deficient element meet current code.

We discussed the City of Santa Cruz's requirements with representatives of Mark Ellis, the Chief Building Official. Based on these discussions, the City will likely accept a minimum life safety seismic retrofit of the building provided that there is no use change, as described above. The impact of any increased load or decreased capacity would need to be evaluated to meet code.

A consideration that should be taken into account when deciding what code the building should be retrofitted to, is the industry standard of care for the use of the building. We understand that the currently proposed project is a hotel with facilities available for rent. If, in the future, the La Bahia project is planned as a for-sale residential building managed by a homeowners association,

it is considered by the construction industry to be at a high risk for future litigation. If this is the case, the industry standard of care is to retrofit the building to meet the requirements of current code for life safety and damage control.

BUILDING DEFICIENCIES

The following building deficiencies are based on our experience with the rehabilitation of buildings similar to the La Bahia complex and on data provided in the Geotechnical Investigation:

1. The majority of the existing roof and floor diaphragms are not adequate to resist lateral loads. The diaphragms may be adequate in some locations where interior shear walls are spaced close together. The roof and floor diaphragms are not adequately tied between adjacent buildings and at reentrant corners.
2. Existing shear walls and foundations are not adequate to resist lateral loads and overturning forces.
3. Existing foundations do not meet current code and are not adequate to resist settlement and movement from liquefaction and liquefaction induced lateral spreading
4. The connection of the shearwalls to the concrete foundation is not adequate.
5. Parapets, exterior balconies and ornamentation are not adequately anchored to the studwalls.

RECOMMENDATIONS: RETROFIT OF EXISTING STRUCTURE

Based on the deficiencies noted in the previous section, the following modifications to the buildings' structural systems will be required to meet current code:

1. Remove existing roofing and roof sheathing and install plywood over the existing roof framing. Where the floor sheathing does not have adequate strength or is removed for access during construction, replace with floor plywood to meet the requirements of current code. Install additional beams, blocking and straps at reentrant corners and at collectors to tie buildings together. Some seismic separations might be used in lieu of tying the buildings. For example, a separation might be installed at the walkway between Blocks 1 and 6.
2. Install plywood over the existing studs at required shear wall locations. This can be done on the interior and/or exterior of the exterior studs and at selected interior stud walls. Install holdowns at the ends of shear walls, and strapping where required at perimeter of openings. Interior shear walls will likely require new concrete footings.
3. Install anchor bolts to connect the shear walls to the foundation.
4. Add parapet braces, and anchor architectural elements as required.

In order to mitigate life safety only, all of the items above will be required but to a lesser degree.

The Geotechnical Investigation and the Update indicate that this site has the potential for

liquefaction and lateral spreading in the event of an earthquake. The existing foundation will not perform adequately when subjected to the movement described in the Investigation. Therefore, modifications to the foundations will be required. The strengthening of the existing foundations and all new foundations will be designed to meet the requirements of the Geotechnical Investigation and the current CBC.

The Geotechnical Update indicates that the proposed new buildings can be supported on drilled piers or on conventional foundations supported by an approved ground improvement treatment such as vibro-displacement stone columns. If vibration of the existing buildings is a concern, deep soil mixing or another low vibration ground improvement method can be used as an alternative.

Ground improvement is required at the existing buildings as well. If the buildings are required to meet current code, the existing foundation will need to be replaced. To do so, the buildings will need to be shored, elevated and braced to install ground improvement and the new foundation system.

If a life safety retrofit is performed, the existing footings that are in good condition and are of adequate strength can be underpinned. Where the footings need to be replaced, the new footings can be supported on ground improvement. A combination of jet grout underpinning under the existing footings and compaction grouting under new footings can be performed to mitigate liquefaction. Based on our conversation with Hayward Baker, both of these methods can be performed with little vibration. In order to perform the ground improvement for the life safety retrofit, it is likely that the majority of the existing first floor of the buildings will need to be removed.

CONCLUSION

In conclusion, the existing buildings at the subject project will require some level of seismic and foundation upgrade. The extent of upgrade will depend on the proposed use of the buildings to be retained and the extent of modifications to the structural systems. The information supplied in this report is based on available data and preliminary visual observations of the existing construction. This report addresses only structural deficiencies and recommended modifications. Potential issues related to access, architectural, mechanical, electrical, plumbing, fire protection and hazardous materials requiring abatement are not considered. It should be understood that the recommendations specified herein are preliminary only. A thorough design of the project must be done if the contract drawings for the proposed modifications are to be prepared.

FINAL MEMORANDUM

To: Juliana Rebagliati, City of Santa Cruz

From: Teifion Rice-Evans, Walker Toma, and Claire Walker

Subject: La Bahia Hotel Proposed Project and EIR Alternatives
Feasibility Analysis; EPS #141040

Date: July 18, 2014

The Economics of Land Use



Economic & Planning Systems, Inc. (EPS) has independently evaluated the financial feasibility of developing the proposed 165-room La Bahia Hotel as well as three project alternatives identified as part of the Environmental Impact Report (EIR) required under the California Environmental Quality Act (CEQA): the Full Preservation Alternative, the Partial Preservation Alternative and the Reduced Height and Size Alternative. The purpose of this analysis is to assess the economic viability of different development configurations under current market conditions. It should be noted that changes in market conditions and/or unforeseen changes to development costs could alter the conclusions of this analysis.

To assess development feasibility, EPS prepared development pro formas for the proposed project and selected project alternatives. These pro formas combined revenue and cost forecasts and identified unlevered internal rates of return (IRR) for the project and the proposed alternatives. The rates of return were compared to the identified hurdle internal rate of return of 10 percent. This rate of return was set based on research conducted with hotel developers and investors, prior EPS hotel analyses, and a review of analyses of full-service hotels by other economists. It should be noted that many hotel developers and investors would look to obtain an unlevered hurdle rate of return of 11 percent or more, and thus a 10 percent IRR is conservative. Our research and experience has established that a hotel project that offers an IRR of less than 10 percent will not attract prudent investors and thus is not economically feasible.

This memorandum is divided into several sections. The first describes the proposed project and alternatives evaluated; the second describes the feasibility analysis, including cost and revenues assumptions and the estimated rates of return for the Proposed Project and Alternatives evaluated; and the final section provides the summary of finding. In addition, **Appendix A** provides the detailed estimates of direct costs developed by David Cobb of AECOM as well as the professional qualifications of AECOM and **Appendix B** provides detailed pro forma analysis tables for the Proposed Project and Project Alternatives.

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Description of Project and Project Alternatives

The Project Site (the "Site") is located on Beach Street across from the Santa Cruz Beach Boardwalk in Santa Cruz California as shown in **Figure 1**. The Site is approximately 1.4 acres and contains the 44-unit La Bahia Apartments, which are currently used as short term, seasonal rental housing primarily for students and Boardwalk employees. The apartment complex consists of six, two- to three-story buildings totaling 32,000 square feet. This analysis evaluates the development feasibility of the Proposed Project and three Project Alternatives.¹

Characteristics of the Proposed Project and the evaluated Project Alternatives are described below and displayed in **Table 1**. More detailed descriptions of the Project and the Project Alternatives can be found in the EIR.

Proposed Project

The Proposed Project entails the demolition of the existing La Bahia apartment complex, except for a portion of one building featuring a bell tower that will be retained and rehabilitated, and the construction of a new 165-room boutique hotel. The hotel will include 4,800 square feet of restaurant/kitchen space, a 750 square day spa, 7,675 square feet of meeting/banquet space, 2,500 square feet of retail, and 210 parking spaces in two levels of underground parking.

Alternative A: Full Preservation Alternative

This alternative envisions the preservation of all six existing structures with the construction of a new hotel building on the northwest portion of the site. The Full Preservation Alternative would include 125 rooms and between 134 and 144 parking spaces. The reduction in development potential due to the different site configuration has resulted in a reduction in meeting/banquet, restaurant and retail spaces, a reduction in swimming pool size, and the elimination of the spa facility as described in the EIR.

Alternative B: Partial Preservation Alternative

This alternative envisions the preservation of two out of the six existing structures with the construction of a new hotel building on the northwest portion of the site. The Partial Preservation Alternative would include 140 rooms and 151 parking spaces. Meeting/Banquet, restaurant, spa and retail spaces would be reduced under this alternative due to the greater constraints on development potential as described in the EIR.

¹ The Alternative Use, Alternative Location, and Redevelopment with Adjacent Property Alternative are not evaluated. Those alternatives were "considered but rejected" by the EIR because they would not meet the project objectives or were considered too infeasible. Because these alternatives were rejected by the EIR, they are not considered in the feasibility analysis.

Alternative C: Reduced Height and Size Alternative

This Alternative reduces the height of the hotel so that it is consistent with the 36-foot Beach Zone Commercial Height Limit, which would apply to the Project Site without a Planned Development (PD) permit approval. This alternative would include the same scope of preservation and development footprint as envisioned in the Proposed Project but would remove one story off of the new hotel development component of the project. The Reduced Height and Size Alternative would include 116 rooms and 210 parking spaces (the parking is equal to the total in the Proposed Project despite the reduced room count). Meeting/Banquet, restaurant, spa and retail spaces would all be consistent with the proposed project. The swimming pool would also be consistent with the Proposed Project.

Figure 1 Project Site Map



Source: La Bahia Hotel EIR

Table 1 Development Description by Alternative

Item	Proposed Project	Project Alternatives		
		Full Preservation	Partial Preservation	Reduced Height & Size
General				
Total Square Footage	198,327	150,063	171,580	166,077
Number of Rooms	165	125	140	116
Total Parking Spaces	210	134-144	151	210
Amenities				
Meeting / Banquet	4,350	3,000	3,000	4,350
Prefunction / Banquet Prep	3,325			3,325
Restaurant(s)	2,500	2,500	2,500	2,500
Kitchen	2,300			2,300
Day Spa	750	None	1,000	750
Retail Space	2,500	1,000	1,000	2,500
Swimming Pool	Yes	Red. Size	Same	Yes

Source: La Bahia Hotel EIR

Financial Feasibility Analysis

EPS developed a financial model to simulate the development economics of the Proposed Project and three of the Project Alternatives under consideration in the EIR using standard hotel pro forma analysis procedures. The financial model integrates the hotel development cost estimates by Alternative and basic hotel operations cashflow into development pro formas that indicate the expected unlevered IRRs by Alternative. These unlevered IRRs are then compared to the hurdle rate to provide a planning-level indication of development feasibility. The financial analysis, including cost and revenue assumptions and development pro formas outcomes, are described below. Additional details are provided in **Appendix A** and **Appendix B**.

Cost Estimates

Direct Construction Costs

Direct construction costs for the Proposed Project and Project Alternatives were developed by David Cobb of AECOM (see **Appendix A**). The cost estimates for the Proposed Project were based on a detailed cost evaluation of the Proposed Project performed in June 2013 with a subsequent update in May 2014. The cost estimates for the three Project Alternatives evaluated were also developed by David Cobb of AECOM and were based on the descriptions in the EIR and the translation of these descriptions into expected development components (new development, rehabilitation, site improvement area, and parking) by Leddy Maytum Stacy Architects. These cost estimates were developed in May 2014. All cost estimates were developed on a site- and Alternative-specific basis, taking into account construction market conditions, the scope of required rehabilitation for the various existing buildings, and other standard cost estimating factors.

Table 2 shows the AECOM direct cost estimates, including the per-square foot cost factors applied and the total direct costs by alternative. As shown, per-square foot costs vary by type and scale, with new hospitality construction costs ranging from \$278 to \$311 per square foot, new rehabilitation costs varying from \$259 to \$420 per square foot, and parking costs varying from \$137 per square foot to \$149 per square foot. For Alternative 1: Full Preservation and Alternative 2: Partial Preservation, substantial rehabilitation work is required on the existing structures to turn them into hospitality buildings consistent with the historic structures and structural reports. Such rehabilitation costs are often above the costs of new development.

Overall, in 2014 dollars, the direct construction costs of the Proposed Project are expected to be about \$46.4 million with the equivalent costs for the Project Alternatives ranging from \$39.7 million to \$45.5 million. The direct cost estimates included general conditions and a 5 percent direct cost contingency. While the direct development costs are highest for the Proposed Project, on a per key (room) basis, the direct construction costs are lowest for the Proposed Project at approximately \$281,000 per key (room) with variations from approximately \$325,000 to \$342,000 for the Project Alternatives.

Indirect Costs

As shown in **Table 2**, development costs also include indirect costs. Indirect construction costs include a range of additional expenditures over and above the direct site and building construction costs. Together, indirect costs were estimated to represent about 28 percent of direct construction costs and were applied similarly for the Proposed Project and the Project Alternatives. Indirect cost components include the following components: architecture and engineering costs (5 percent of direct costs), Furniture, Fixtures and Equipment (7.5 percent of direct costs), Operating Supplies and Equipment/Pre-Opening and Information Technology costs (7.5 percent of direct costs), financing costs (5 to percent of direct costs) and Other Costs (3 percent of direct costs). Other costs include legal and account fees, impact fees, real estate taxes, utilities and soft cost contingency. The percentages are consistent with typical indirect cost estimates associated with full-service hotel development.

Land Costs

The landowner has indicated an expected land value of between \$5 million and \$8 million. To be conservative (to show improved rates of returns), this analysis assumes a site acquisition cost of \$5 million. A sensitivity analysis of an even lower land value scenario was also conducted to determine whether such a reduction in land cost (even if unlikely) would make additional alternatives feasible.

Total Development Costs

As shown in **Table 2**, total development costs, including direct and indirect construction costs and land costs, are estimated at \$64.4 million for the Proposed Project (in constant 2014 dollars), equivalent to \$390,000 per key and \$325 per square foot of building development. Total development costs for other Project Alternatives included: \$58.0 million for the Full Preservation Alternative (\$464,000 per room), \$63.2 million for the Partial Preservation Alternative (\$451,000 per room), and \$55.8 million for the Reduced Height and Size Alternative (\$481,000 per room).

Table 2 Development Cost Summary (Constant 2014 Dollars)

Category	AssumptionS / Units	Proposed Project	EIR Alternatives		
			Full Preservation	Partial Preservation	Reduced Height & Size
DEVELOPMENT PROGRAM [1]					
New Hospitality Building	Sq. Ft.	132,244	66,122	92,906	99,994
New Parking	Sq. Ft.	61,308	51,027	57,500	61,308
Rehabilitation	Sq. Ft.	4,775	32,914	21,174	4,775
Total Square Footage	Sq. Ft.	198,327	150,063	171,580	166,077
Number of Rooms		165	125	140	116
Total Parking Spaces		210	134-144	151	210
DEVELOPMENT COST SUMMARY					
Direct Costs per Sq. Ft. [2]					
New Hospitality Building	\$ per Sq. Ft.	\$278	\$311	\$304	\$301
New Parking	\$ per Sq. Ft.	\$137	\$149	\$146	\$137
Rehabilitation	\$ per Sq. Ft.	\$259	\$400	\$420	\$259
Total Direct Costs					
New Hospitality Building		\$36,800,000	\$20,600,000	\$28,200,000	\$30,100,000
New Parking		\$8,400,000	\$7,600,000	\$8,400,000	\$8,400,000
Rehabilitation		\$1,200,000	\$13,200,000	\$8,900,000	\$1,200,000
Total Direct Costs		\$46,400,000	\$41,400,000	\$45,500,000	\$39,700,000
Indirect Costs					
Architects & Consultants	5.0% of Direct Costs	\$2,300,000	\$2,100,000	\$2,300,000	\$2,000,000
FF&E [3]	7.5% of Direct Costs	\$3,500,000	\$3,100,000	\$3,400,000	\$3,000,000
OS&E [4], Pre Opening & IT Costs	7.5% of Direct Costs	\$3,500,000	\$3,100,000	\$3,400,000	\$3,000,000
Other Costs [5]	3.0% of Direct Costs	\$1,400,000	\$1,200,000	\$1,400,000	\$1,200,000
Financing	5.0% of Direct Costs	\$2,300,000	\$2,100,000	\$2,300,000	\$2,000,000
Total Soft Costs	28.0% of Direct Costs	\$13,000,000	\$11,600,000	\$12,700,000	\$11,100,000
Land Cost [6]					
		\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Direct Costs Total		\$46,400,000	\$41,400,000	\$45,500,000	\$39,700,000
Soft Costs Total		\$13,000,000	\$11,600,000	\$12,700,000	\$11,100,000
Total Development Cost		\$64,400,000	\$58,000,000	\$63,200,000	\$55,800,000
Per Square Foot		\$325	\$387	\$368	\$336
Per Room		\$390,000	\$464,000	\$451,000	\$481,000

[1] Development programs provided by Leddy Maytum Stacy Architects.

[2] Direct cost estimates provided by David Cobb of AECOM.

[3] FF&E refers to Furniture, Fixtures and Equipment.

[4] OS&E refers to Operating Supplies and Equipment.

[5] Includes legal and accounting fees, impact fees, taxes, utilities and soft cost contingency.

[6] Includes acquisition costs.

Net Operating Income/Revenue Estimates

The net operating incomes of the developed hotel provide annual returns to the hotel developer until the point when they sell the hotel. At the time of sale, the sales prices of the hotel will also be determined, in large part, by the stabilized net operating income. While different hotel developers may sell hotels at different points in time, for the purposes of this analysis, hotel sale is assumed to occur after eight years of hotel operation for all analyses (i.e., Proposed Project and Alternatives). Key drivers of net operating income include room revenues, other revenues, and operating costs.

Room Revenue

Room revenues are driven by room rates (Average Daily Rates/ADR) and by occupancy rates.

The Site is located on Beach Street directly across from the beach. This area is considered a very desirable location for hotel development due to its proximity to downtown, the Boardwalk,

the Municipal Wharf, and the beach. The site's topography and the project's proposed design would allow for ocean views in many if not all of the rooms. In the Proposed Project, many rooms, depending on the floor and orientation of the room, would offer premium views of the beach. Preliminary room rates and occupancy rates were provided by Project Sponsor for the Proposed Project for both hotel opening (i.e., year one of operation) and stabilization (year three of operation). EPS vetted these assumptions by reviewing: (1) current and historical hotel data from Santa Cruz and comparable markets from Smith Travel Research; (2) available data on the recent performance of the City of Santa Cruz's high-end hotels; and (3) hotel industry publications and trend reports as well as insights from hotel industry experts.

Based on the available data and contextual information, the Proposed Project pro forma assumes average daily room rates of \$300 and an average occupancy rate of 70 percent for the Proposed Project. The Reduced Height and Size Alternative pro forma assumes average daily room rates and occupancy rate equal to that of the Proposed Project. Under the Full and Partial Preservation Alternatives, many rooms would not include the same views as the Proposed Project due to the existing height (two to three stories) and layout of the La Bahia Apartments. In addition, hotel performance would be affected by the reduction in amenity space, specifically banquet and meeting facilities, that would support additional demand in the off-peak and shoulder seasons. As a result, average daily rates and occupancy rates were assumed to be lower for these alternatives.²

Other Operating Revenues

Restaurant, spa and retail revenue and costs for the Proposed Project and the Project Alternatives were informed by operating assumptions provided by the Project Sponsor. These assumptions were also vetted by hotel industry experts with experience working on boutique hotel products in coastal markets such as Santa Cruz. In addition, EPS reviewed numerous operating pro formas for hotel products throughout California to evaluate the restaurant, retail and spa margins.³ Although the square footage allocated for these revenue producing amenities varies by alternative, revenue was assumed to be consistent for the Proposed Project and Alternatives at \$1,000 per square foot for restaurant uses (per square foot revenue is applied to both front and back of house) and \$250 per square foot for retail and spa uses. Note that per square foot restaurant revenues are likely to vary significantly based on the type of restaurant that can be pursued. For instance, the size of the restaurant and proportion dedicated to alcohol sales can significantly affect revenue per square foot.

Total Operating Revenues

Total operating revenues at stabilization (year 3 of hotel operation) are shown in **Table 3**. As shown, annual total operating revenues (in constant 2014 dollars) at stabilization are \$18.2 million for the Proposed Project, \$11.4 million for the Full Preservation Alternative, \$12.7 million for the Full Preservation Alternative, and \$14.5 million for the Reduced Height and Size Alternative. This range reflects differences in the number of hotel rooms and amount of amenity space as well as the variations in expected market performance described above.

² The specific adjustments evaluated in the base feasibility analysis for Alternatives 1 and 2 included a 3 percentage point reduction to 67 percent for occupancy rates and a 5 percent reduction to \$285 average room rates. One of the sensitivity tests removes these market adjustments/ reductions.

³ Sources included PKF consulting, HVS International, Joie de Vivre, and other hotel operators.

Total Operating Expenses and Net Operating Incomes

Hotel operating expenses include a large range of expense categories that can be generally grouped into departmental expenses, operating expenses, and fixed costs. These expenses vary by type of hotel though typical relationships between expected operating expenses and operating incomes can be derived for different hotel types. EPS reviewed the operating expenses estimated by the Project Sponsor and refined them based on a review of expense and income relationship at other full-service hotels. The total operating costs and the resulting net operating income are shown in **Table 3**. As shown, net operating income revenue (at stabilization in constant 2014 dollars) vary from \$5.3 million annually under the Proposed Project to \$3.7 million under the Full Preservation Alternative.

Table 3 Operating Pro Forma and IRR by Alternative (Constant 2014 Dollars)

Category	Proposed Project	EIR Alternatives		
		Full Preservation	Partial Preservation	Reduced Height & Size
Revenue Summary				
Room Revenue	\$12,600,000	\$8,600,000	\$9,700,000	\$8,900,000
Restaurant & Bar Revenue	\$4,800,000	\$2,500,000	\$2,500,000	\$4,800,000
Spa & Retail Revenue	<u>\$800,000</u>	<u>\$300,000</u>	<u>\$500,000</u>	<u>\$800,000</u>
Total Operating Revenue	\$18,200,000	\$11,400,000	\$12,700,000	\$14,500,000
Cost Summary				
Departmental Expenses	\$7,500,000	\$4,375,000	\$4,775,000	\$6,500,000
Operating Expenses	\$3,830,000	\$2,390,000	\$2,670,000	\$3,070,000
Fixed Costs	<u>\$1,550,000</u>	<u>\$920,000</u>	<u>\$1,020,000</u>	<u>\$1,160,000</u>
Total Operating Expenses	\$12,880,000	\$7,685,000	\$8,465,000	\$10,730,000
Net Operating Income (Stabalized)	\$5,300,000	\$3,700,000	\$4,200,000	\$3,800,000

Hotel Sale

As noted above, hotel sale is assumed to occur in year eight of operation for the Proposed Project and all Project Alternatives. The sale value of the hotel at that time was based on the net operating income (in nominal dollars) for each of the alternatives and a capitalization rate of 7.5 percent. Capitalization rates vary significantly by hotel type and location. For all hotel types, a 7.5 percent capitalization rate is at the lower end of the range (resulting in a higher sales price), though this rate is consistent with the four-star, full-service nature of the hotel and recent market reports of capitalization rates for full-service hotels. The net sales proceeds to the developer are reduced by 1 percent under the Proposed Project and all Alternatives to account for the cost of sale.

Financial Results

Table 4 summarizes the financial results. **Appendix B** shows the return on investment (ROI) pro forma financial analyses for the Proposed Project and Project Alternatives, which summarize of the integration of the development cost, net operating income, and hotel sale proceeds into development pro forma. **Tables B-1** through **B-4** also show the associated unlevered internal rates of return for the Alternatives.

As shown in **Table 4**, only the Proposed Project exceeds the conservative 10 percent hurdle rate of return. The other Alternatives are all substantially below the hurdle rate. The sensitivity runs all improve the rates of return among all scenarios but are still insufficient to push the Alternatives above the hurdle rate. In other words, even a 3-percentage point increase in occupancy, a reduction in land cost, or the assumption that there would be no impact on performance for the Full and Partial Preservation Alternatives in spite of their reduced amenity package, were insufficient to make any of the Alternatives provide high enough returns to be expected to attract prudent investors.

Table 4 Internal Rate of Return under Base Case and Sensitivities

Alternative	Base Case [1]	Increased Occupancy [2]	Unadjusted ADR and Occupancy [3]	Reduced Land Cost [4]
Proposed Project	10.2%	11.2%	10.2%	10.7%
Full Preservation	6.6%	7.5%	8.5%	7.1%
Partial Preservation	7.3%	7.8%	8.5%	7.8%
Reduced Height & Size	7.1%	7.7%	7.1%	7.7%

[1] The base case reflects the IRR generated by the Proposed Project and each alternative assuming the average room rates, occupancy and land costs outlined in the development and operating pro formas.

[2] Under this scenario, occupancy rates are increased by 3 percent for all alternatives relative to the Base Case.

[3] This scenario assumes all of the alternatives achieve average room rates of \$300 and occupancy of 70 percent. In others words, the room rate and occupancy rate reductions for the Full Preservation and Partial Preservation Alternatives due to their more modest amenity set and more limited view premiums are removed.

[4] Land costs are reduced from \$5 million to \$3 million dollars. Given uncertainty over precise land costs, this alternative tests the sensitivity of the results to a reduced land cost.

Source: Economic & Planning Systems, Inc.

Summary of Findings

The following summary of findings is based on the project descriptions and financial analysis described above and shown in more detailed in the Appendices:

1. The Proposed Project is financially feasible with an expected rate of return marginally above the hurdle rate.

The Proposed Project, with a total land acquisition and development cost of \$64.4 million in nominal dollars invested over two years after project entitlement, is forecast to generate an unlevered internal rate of return (IRR) of 10.2 percent. This reflects the cost estimates of AECOM based on the parameters of the proposed project, the expected land cost, and expected market performance of the proposed La Bahia Hotel (a new four-star, full-service hotel with corresponding amenities on the Santa Cruz beachfront). The rate of return estimate reflects average daily room rates of \$300, an average occupancy rate of 70 percent, and a capitalization of 7.5 percent, among other assumptions.⁴

⁴ These average daily room rates and occupancy rates are similar to those achieved at the most comparable luxury/ upper-scale accommodations in the City of Santa Cruz. They are well above the overall average room rates and overall average occupancy rates due to the high-end, full service nature of the hotel and the meeting, banquet, and other amenities.

2. The three Project Alternatives evaluated are not financially feasible.

Similar analyses were conducted for three Project Alternatives, Alternative 1: Full Preservation, Alternative 2: Partial Preservation, and Alternative 3: Reduced Height and Size. Each of these three project alternatives performs less strongly than the Proposed Project and results in rates of return well below the hurdle rate of return; all alternatives show rates of return of between 6.5 and 7.5 percent (see **Table 4**). Alternative 1 and Alternative 2 both require substantial investment in rehabilitation which on a per-square foot basis is considerably more expensive than the new development on this site. In addition, due to their lower development potentials, they include fewer of the amenities that are expected to support the higher room rates, the full-service status, and stronger shoulder season demand. In addition, the rooms are not configured to optimize view premiums. Room rates and occupancy rates were adjusted modestly downward to account for these factors.⁵ Alternative 3, like the Proposed Project, primarily involves new construction and includes the full amenity package. Its smaller scale due to the reduction in height and room count, however, provides a smaller platform on which to spread development costs, reducing the rate of return.

3. The feasibility results are robust under a range of sensitivity analyses.

As shown in **Table 4**, the feasibility conclusions proved robust under a range of sensitivity analyses. Sensitivity analyses were conducted to determine the level of improvement in performance (rate of return) under a range of scenarios. Variations in the rates of return were evaluated under the following conditions: (1) a three percentage point increase in occupancy rates, (2) a 40 percent reduction in land acquisition costs, and (3) no room rate or occupancy rate adjustments for the Partial and Full Preservation scenarios. Under sensitivity 1, increasing occupancy rates for all scenarios by 3 percentage points improves the rates of return under all scenarios; this level of improved market performance still does not result in any of the Alternatives reaching the hurdle internal rate of return. Under sensitivity 2, which removes the expected impacts of the loss of amenities and different room configurations on room rates and occupancy rates under the Full Preservation and Partial Preservation Alternatives, the IRRs for these two scenarios still do not reach the hurdle IRR. Finally, under the third sensitivity, the effect of reduced land values are tested (specifically a reduction in the land acquisition cost by \$2.0 million); while unlikely, the uncertainty over the final land cost suggested that this sensitivity run might be informative. As shown, the IRRs all increase but not by enough to make the Alternatives pass the hurdle IRR.

⁵ As noted above, the average annual occupancy rate was reduced by 3 percentage points and the average daily room rate was reduced by 5 percentage points.



APPENDIX A:

Development Cost Estimates

La Bahia Hotel CEQA Alternatives

Prepared for:

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La Bahia Hotel CEQA Alternatives

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Cost Model Proposed Project Parking Program Component	8
Cost Model Proposed Full Rehabilitation Hotel Program Component	9

La Bahia Hotel CEQA Alternatives

Overall Summary

	PROPOSED PROJECT	ALTERNATIVE ONE Full Preservation	ALTERNATIVE TWO Partial Preservation	ALTERNATIVE THREE Reduced Size & Height
Building	\$46,414,000	\$41,333,000	\$45,532,000	\$39,751,000
Sitework	\$1,624,000	\$2,186,000	\$2,380,000	\$1,624,000
TOTAL BUILDING CONSTRUCTION	\$48,038,000	\$43,519,000	\$47,912,000	\$41,375,000
Enclosed Program Area	198,327 SF	150,063 SF	171,580 SF	166,077 SF
Cost per SF	\$242.22	\$290.00	\$279.24	\$249.13

NOTES

Amounts shown are anticipated current construction costs

Amounts depict a mid range of anticipated costs (see Project Comparisons)

Soft costs are excluded from the amounts shown

La Bahia Hotel

CEQA Alternatives

PROJECT COMPARISON

PROGRAM	SF	\$/SF	\$ X 1,000 TOTAL	\$ X 1,000 LOW	\$ X 1,000 HIGH
PROPOSED PROJECT					
New Hospitality Building	132,244 SF	\$277.98	36,761	33,000	40,000
New Parking	61,308 SF	\$137.31	8,418	8,000	9,000
Rehabilitation	4,775 SF	\$258.50	1,234	1,000	1,000
TOTAL BUILDING CONSTRUCTION	198,327 SF		46,414	42,000	50,000
Sitework	10,500 SF	\$154.70	1,624	1,000	2,000
TOTAL BUILDING AND SITEWORK			48,038	43,000	52,000

ALTERNATIVE ONE

New Hospitality Building	66,122 SF	\$311.00	20,564	19,000	23,000
New Parking	51,027 SF	\$149.00	7,603	7,000	8,000
Rehabilitation	32,914 SF	\$400.00	13,166	12,000	14,000
TOTAL BUILDING CONSTRUCTION	150,063 SF		41,333	38,000	45,000
Sitework	19,005 SF	\$115.00	2,186	2,000	2,000
TOTAL BUILDING AND SITEWORK			43,518	40,000	47,000

ALTERNATIVE TWO

New Hospitality Building	92,906 SF	\$304.00	28,243	25,000	31,000
New Parking	57,500 SF	\$146.00	8,395	8,000	9,000
Rehabilitation	21,174 SF	\$420.00	8,893	8,000	10,000
TOTAL BUILDING CONSTRUCTION	171,580 SF		45,532	41,000	50,000
Sitework	21,638 SF	\$110.00	2,380	2,000	3,000
TOTAL BUILDING AND SITEWORK			47,912	43,000	53,000

ALTERNATIVE THREE

New Hospitality Building	99,994 SF	\$301.00	30,098	27,000	33,000
New Parking	61,308 SF	\$137.31	8,418	8,000	9,000
Rehabilitation	4,775 SF	\$258.50	1,234	1,000	1,000
TOTAL BUILDING CONSTRUCTION	166,077 SF		39,751	36,000	43,000
Sitework	10,500 SF	\$154.70	1,624	1,000	2,000
TOTAL BUILDING AND SITEWORK			41,375	37,000	45,000

La Bahia Hotel

CEQA Alternatives

Scope of Work

Project Scope Description

The site of the proposed project and its three alternatives occupy a city lot of 61,000 square feet in the City of Santa Cruz. The site slopes 34 feet in elevation over its one block expanse, requiring significant soil excavation and retaining to accommodate the parking component that is part of each plan. The existing six buildings are considered significant historically, and rehabilitation to any retained structures is assumed to meet the Secretary of the Interior's standards for historic structures.

Methodology

The costs for the alternatives were extrapolated and adjusted from the 2013 schematic design documents for the proposed project. Since construction costs of parking, new hospitality buildings, and rehabilitated structures can vary significantly, each project was broken down into those components as well as sitework. The basis of the relative areas is the spreadsheet developed by LMS Architects, which shows a breakdown by those same elements.

The schematic design cost plan (dated 05/30/2013) showed one cost for the combined parking and new hotel structure, so the first task was to separate the new building into two program elements - parking and hospitality. The combined cost of these two components equals the total shown for the building in the estimate, with an adjustment made to reduce the design contingency from 10% to 5%. A portion of the scope of work found in the estimate's sitework section pertaining to development above the ground plane was also reallocated to the building cost. From this point costs per square foot could be adjusted to account for the difference in areas of the program elements of each alternative. Generally as the area of a given program decreases its cost per square foot increases, all other things being equal.

The missing piece of the above approach was the cost of rehabilitation of the existing structures. Although the cost plan of 2013 provided a cost breakdown for rehabilitating the tower alone, the approach adopted for the tower in the proposed project was more limited than that described in the historic structures and structural reports, in part by excluding new foundation work. This approach resulted in a cost per square foot of \$258.50. This compares to a more typical cost in the range of \$400 per square foot for the work described in the analytical reports that would apply to the remainder of the existing structures and their development as hospitality buildings.

The cost model for the rehabilitation of the hospitality buildings was developed using benchmark information from other rehabilitation projects, information from the new hotel breakout described above, and the structural engineer's report and the historic structures report found in the Draft EIR.

La Bahia Hotel

CEQA Alternatives

Basis of Estimate

Design Information

City of Santa Cruz Draft EIR for La Bahia Hotel, January 2014
AECOM Cost Plan for Proposed Project, May 30, 2013
Program Chart for 3 Alternatives (1301 DEIR construction costs R1) received 05/02/2014 from Leddy Maytum Stacy Architects

Conditions of Construction

A start date of May 2014
A construction period of 20-24 months
The general contract will be competitively bid with qualified main subcontractors
The entire scope of work will be bid as one project
There will not be small business set aside requirements
The contractor will not be required to pay prevailing wages
There are no phasing requirements
The general contractor will have full access to the site during normal business hours

Exclusions from Proposed Project Cost Plan

Soil remediation
Testing and inspection fees
Architectural, design and construction management fees
Scope change and post contract contingencies
Assessments, taxes, finance, legal and development charges
Environmental impact mitigation
Builder's risk, project wrap-up and other owner provided insurance program
Land and easement acquisition
Loose furniture and equipment except as specifically identified
Hazardous material handling, disposal and abatement
Compression of schedule, premium or shift work, and restrictions on the contractor's working hours
Fit-out of retail space
Supply of carpet (OFCl)
Supply of fixed bathroom accessories (OFCl)
Laundry equipment (OFI)
Vanity unit and countertop in guest rooms (OFI)
Room and wayfinding signage (OFI)
Window treatment (OFI)
Honor bar/refrigerator and casework in guest rooms (OFI)
Site furniture (tables, chairs, planter pots, trash receptacles) (OFI)
Audio visual equipment & cabling
UPS
Public address
Telephone/data and TV - equipment and cabling
Utility connection charges and fees
Storm drainage retention and treatment
Domestic water booster pumps
PG&E HV equipment and cabling
Motorized solar pool cover

La Bahia Hotel

CEQA Alternatives

Market Conditions

This document is based on the measurement and pricing of quantities wherever information is provided and/or reasonable assumptions for other work not covered in the drawings or specifications, as stated within this document. Unit rates have been obtained from historical records and/or discussion with contractors. The unit rates reflect current bid costs in the area. All unit rates relevant to subcontractor work include the subcontractors overhead and profit unless otherwise stated. The mark-ups cover the costs of field overhead, home office overhead and profit and range from 15% to 25% of the cost for a particular item of work.

Pricing reflects probable construction costs obtainable in the project locality on the date of this statement of probable costs. This estimate is a determination of fair market value for the construction of this project. It is not a prediction of low bid. Pricing assumes competitive bidding for every portion of the construction work for all subcontractors and general contractors, with a minimum of 4 bidders for all items of subcontracted work and 6-7 general contractor bids. Experience indicates that a fewer number of bidders may result in higher bids, conversely an increased number of bidders may result in more competitive bids.

Since AECOM has no control over the cost of labor, material, equipment, or over the contractor's method of determining prices, or over the competitive bidding or market conditions at the time of bid, the statement of probable construction cost is based on industry practice, professional experience and qualifications, and represents AECOM's best judgment as professional construction consultant familiar with the construction industry. However, AECOM cannot and does not guarantee that the proposals, bids, or the construction cost will not vary from opinions of probable cost prepared by them.

La Bahia Hotel

CEQA Alternatives

Proposed Project Areas and Control Quantities

SF

Areas

Enclosed Areas

Taken from Schematic Design Cost Plan
dated 05/30/2013

Level 1	49,410
Level 2	48,018
Level 3	33,945
Level 4	28,823
Level 5	19,461
Level 6	11,785

Subtotal of Enclosed Areas	191,442
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Covered Areas

Covered Area	6,393
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Subtotal of Covered Areas at Half Value	3,197
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TOTAL GROSS FLOOR AREA	194,639
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Control Quantities

Ratio to GFA

Functional Units	166	KEYS	0.001
Number of stories (x1,000)	6	EA	0.031
Gross Area	194,639	SF	1.000
Enclosed Area	191,442	SF	0.984
Covered Area	6,393	SF	0.033
Footprint Area	49,410	SF	0.254
Volume	2,079,071	CF	10.682
Basement Volume	1,044,957	CF	5.369
Gross Wall Area	87,132	SF	0.448
Retaining Wall Area	14,818	SF	0.076
Finished Wall Area	72,314	SF	0.372
Windows or Glazing	24%	17,426	SF 0.090
Roof Area - Flat	54,129	SF	0.278
Roof Area - Sloping	2,494	SF	0.013
Roof Area - Total	56,623	SF	0.291
Elevators (x10,000)	5	EA	0.257
Plumbing Fixtures (x1,000)	602	EA	3.093
Electrical Load (x 1,000)	2,000	kVA	10.275
HVAC	100,000	CFM	0.514

La Bahia Hotel

CEQA Alternatives

Proposed Project New Hospitality Building

		%	\$/SF	TOTAL	
		Gross Area:	132,244 SF		
01	Foundations	5%	13.40	1,772	
02	Vertical Structure	3%	8.20	1,084	
03	Floor and Roof Structure	12%	32.00	4,232	
04	External Cladding	11%	31.00	4,100	
05	Roofing and Waterproofing	4%	12.00	1,587	
1	Shell	35%	96.60	12,775	
06	Interior Partitions	9%	25.10	3,319	
07	Interior Finishes	5%	14.20	1,878	
2	Interiors	14%	39.30	5,197	
08	Equipment and Specialties	6%	17.80	2,354	
09	Vertical Transportation	3%	7.70	1,018	
3	Equipment & Vertical Transportation	9%	25.50	3,372	
10	Plumbing	7%	19.00	2,513	
11	HVAC	10%	29.00	3,835	
12	Electrical	9%	25.60	3,385	
13	Fire Protection	1%	4.10	542	
4	Mechanical & Electrical	28%	77.70	10,275	
BUILDING CONSTRUCTION		86%	239.10	31,620	
17	General Conditions	7.50%	6%	17.93	2,371
18	Contractor's Overhead & Profit or Fee	3.00%	3%	7.71	1,020
PLANNED CONSTRUCTION COST		95%	264.74	35,011	
19	Contingency for Development of Design	5.00%	5%	13.24	1,751
CONSTRUCTION COST BEFORE ESCALATION		100%	277.98	36,761	
20	Escalation Is Not Included	0.00%	0%	0.00	0
RECOMMENDED BUDGET		100%	277.98	36,761	
1		2	3	4	

La Bahia Hotel

CEQA Alternatives

Proposed Project Parking Structure

		%	\$/SF	TOTAL	
		Gross Area:	61,308 SF		
01	Foundations	33%	45.00	2,759	
02	Vertical Structure	14%	18.85	1,156	
03	Floor and Roof Structure	13%	18.50	1,134	
04	External Cladding	2%	2.50	153	
05	Roofing and Waterproofing	6%	8.60	527	
1	Shell	68%	93.45	5,729	
06	Interior Partitions	1%	2.00	123	
07	Interior Finishes	1%	1.50	92	
2	Interiors	3%	3.50	215	
08	Equipment and Specialties	2%	2.50	153	
09	Vertical Transportation	2%	3.00	184	
3	Equipment & Vertical Transportation	4%	5.50	337	
10	Plumbing	1%	1.85	113	
11	HVAC	5%	6.50	399	
12	Electrical	3%	4.20	257	
13	Fire Protection	2%	3.10	190	
4	Mechanical & Electrical	11%	15.65	959	
BUILDING CONSTRUCTION		86%	118.10	7,240	
17	General Conditions	7.50%	6%	8.86	543
18	Contractor's Overhead & Profit or Fee	3.00%	3%	3.81	234
PLANNED CONSTRUCTION COST		95%	130.77	8,017	
19	Contingency for Development of Design	5.00%	5%	6.54	401
CONSTRUCTION COST BEFORE ESCALATION		100%	137.30	8,418	
20	Escalation Is Not Included	0.00%	0%	0.00	0
RECOMMENDED BUDGET		100%	137.31	8,418	
1			2	3	4

La Bahia Hotel

CEQA Alternatives

Alternative One Rehabilitation Component Cost Model

			%	\$/SF	TOTAL
Full Rehabilitation Gross Area:			32,914 SF		
01	Foundations		10%	40.00	1,317
02	Vertical Structure		6%	25.00	823
03	Floor and Roof Structure		9%	35.00	1,152
04	External Cladding		11%	45.00	1,481
05	Roofing and Waterproofing		8%	30.00	987
1	Shell		44%	175.00	5,760
06	Interior Partitions		8%	30.00	987
07	Interior Finishes		6%	25.00	823
2	Interiors		14%	55.00	1,810
08	Equipment and Specialties		4%	15.00	494
09	Vertical Transportation		3%	10.00	329
3	Equipment & Vertical Transportation		6%	25.00	823
10	Plumbing		5%	20.00	658
11	HVAC		8%	30.00	987
12	Electrical		8%	32.50	1,070
13	Fire Protection		1%	5.00	165
4	Mechanical & Electrical		22%	87.50	2,880
BUILDING CONSTRUCTION			86%	342.50	11,273
17	General Conditions	7.50%	6%	25.69	845
18	Contractor's Overhead & Profit or Fee	3.00%	3%	11.05	364
PLANNED CONSTRUCTION COST			95%	379.23	12,482
19	Contingency for Development of Design	5.00%	5%	18.96	624
CONSTRUCTION COST BEFORE ESCALATION			100%	398.19	13,106
20	Escalation Is Not Included	0.00%	0%	0.00	0
RECOMMENDED BUDGET			100%	398.19	13,106
1		2	3	4	

Hospitality Capability Statement

Program, Cost, Consultancy



Who we are

AECOM is a Fortune 500 firm which is a global provider of professional, technical and management support services to a broad range of markets, including transportation, facilities, environmental, energy, water and government. AECOM has 45,000 employees located in offices in approximately 125 countries and is a leader in all of the key markets that it serves.

In October 2010, Davis Langdon joined AECOM Technology Corporation (NYSE: ACM). Joining AECOM has allowed us to extend our global reach while still locally delivering a comprehensive suite of construction consulting services. We combine construction market intelligence and technical expertise to offer solutions that meet today's challenges as well as long-term needs. Backed by our global network of experts, we tackle the challenges that arise throughout the life cycle of a project's development from providing input on business investment strategy to advising on the ongoing operational efficiency of an asset.

AECOM is a comprehensive and integrated construction consultancy offering services in a wide range of specialized capabilities including cost consulting, project/program management, project controls, value and risk consulting, capital and asset optimization, sustainability consulting and research. We provide a full range of cost management services to achieve this during a project life span, from advising on the feasibility of a project at the early concept stages (including total project cost and operational cost estimates), to settling the final contractor payments at the end of the construction period.

During the design phase we provide cost planning services to maintain an alignment between project requirements, the design and funding availability. We do this on behalf of the owner or the design team. We also provide value engineering and life-cycle cost studies, funding schedules and cash flow analyses. We evaluate and negotiate bids, and during construction we manage contractor payments, including change order and claims reviews and settlements.



Knowledge

Integrated Services Model from portfolio management to occupancy

	Portfolio Management	Plan			Design Implementation			Procurement	Construction		Occupancy
Cost	Portfolio Benchmarking	Feasibility Studies	Initial Plan for Overall Project Cost	Alternative Cost Studies Due Diligence Preliminary Report	Design Stage Cost Control, Incorporating Value Engineering Studies	Cash Flow Analysis	Life-Cycle Cost Studies Due Diligence Preliminary Report	Bid Evaluation and Negotiation Due Diligence Preliminary Report	Change Order Reviews and Interim Payment Approvals	Final Account and Claims Settlement Due Diligence Monthly Monitoring	Post Completion Reviews
Value & Risk	Value Based Decision Management	Target Value Design	Risk and Contingency Management Plan	Advise on Contingency Provision	Identify Detailed Risk Exposure and Advise on Mitigation	Facilitate Risk and Value Management Workshops	Allocate Contingency	Risk Strategies During Bid Process	Manage Risk Register	Close-Out Register	Review, Manage & Report Associated Risks
Sustainability	Policy Development Operational and Carbon Footprinting	Develop Standards and Benchmark	Evaluate Sustainable Goals with Business Case		Review Design Documents and Evaluate Methods to Meet Sustainable Design Goals	Energy Modeling to Compare/ Evaluate Systems	Monitor Design Development & Provide Technical Assistance	Facilitate Contractor Workshops on Sustainable Practices	Monitor Sustainable Goals During Construction & Coordinate Documentation	Final LEED Certification	Post-Occupancy Evaluation
Research	Strategic Procurement Value Management Space Optimization	Strategic Market Positioning Develop Cost Benchmarks & Guidelines	Economic Modeling in Support of Long-Term Planning	Evaluate Local Market Conditions, Local and Global Inflationary Forces		Research of Construction Technology	Benchmark Studies	Research of Construction Contracting			

Our Services

Cost Management

As a leading provider of construction cost consulting services, we strive to be the best-in-class in all that we do. This is evidenced by the recognition as World Architecture's 'Top International Construction Consultant' for 19 successive years. Specific to the North American market, our cost consulting experience is unsurpassed. For more than 38 years, we have gained a reputation for working with some of the world's leading architects, often on extremely complex building types and developments.

We understand the connection between schedule, quality, program and cost, and use that knowledge to provide our clients with practical, thorough advice that leads to the best possible cost outcomes. We assess the long-term costs and benefits associated with individual design measures and with the building design as a whole. Our process results in efficient and fruitful design-making, and achievement of sustainable design goals that complement and further the client's mission.

Life Cycle Cost Analysis (LCCA)

Our LCCA and Total Cost of Ownership modeling incorporates an analysis of design as it affects operations, maintenance and construction costs. A cost analysis and a startup to end of life analysis of materials and systems are compared to possible alternatives and provides the team with sound information in the decision making process.

Our advanced Life Cycle Costing protocols incorporate Risk Analysis methodologies, including probabilistic sensitivity analysis, into the process. By using risk distributions for Life Cycle variables, including cost, benefits, discount rates, core escalation and differential inflation, we help our clients to create a

more comprehensive characterization of the range of Life Cycle Costs for a project or a proposed option. This allows for more accurate evaluation of options for Whole Life Cycle costs and provides the owner with desired confidence on their long term investments. More importantly, our Life Cycle Costing processes allow for transparency to the users and decision makers.

Project Delivery/Procurement Knowledge

The selection of the most appropriate project delivery strategy is often a complex task that involves the identification of all the key project drivers not least of which are the owner's time, cost and quality constraints. But often the selection of a given procurement approach is dictated more by what has been done in the past rather than by what the current situation demands. With past experience from thousands of projects worked upon globally, AECOM has an exceptionally broad range of experience of every form of procurement.

We are routinely asked to provide evaluations of procurement strategy options for our clients along with the associated pros and cons of one particular option over another. Effective management of procurement and delivery of value chains are at the heart of delivering construction projects faster, at lower cost and with improved outcomes. A key part to managing supplier performance is selecting the most suitable proven suppliers to perform the work. This selection should be based on overall value, and not simply lowest cost.

Value and Risk Management

We develop a cost risk model to determine final cost ranges. And as each project progresses, we update the cost risk models to monitor the level of

contingency required to complete the project, and advise the client as to how much contingency is required as the uncertainty diminishes. Similarly we develop schedule risk models; we assess uncertainty around planned durations, the impact of specific risks and determine the likely range of completion dates and confidence levels in the completion target. AECOM continually reviews and updates the risk models during the design and construction phases.

Research

Our Research group was created to collect and disseminate information on the construction market, including in-depth reporting on market escalation and on factors driving material and overall project costs. As market leaders in research, research management and innovation, we provide you with cutting edge knowledge on the latest trends in construction and we provide our internal consulting teams with an invaluable resource for the best intelligence on market conditions.

Our team has experience in evaluating the impact of various economic and operational scenarios in global and local construction, and in producing general to specific reports on key market trends.

Market Insight and Benchmarking Expertise

Our decades of experience with prominent clients from all sectors, and regions within the United States and around the world, have allowed us to build up extensive cost databases and benchmarking data. This information allows us increased accuracy in our financial analysis, cost models and appraisals for each location.

Experience

Experience Hospitality



Baha Mar Resort Nassau, Bahamas

The Baha Mar resort is a new, large scale resort complex planned for a nineteen acre parcel of land in the Bahamas. The 3.8 million SF resort will include refurbishment of an existing hotel and new Central Power Plant. Also included are four separate hotel towers (average 25 stories), a casino, and a convention center, as well as retail and entertainment venues, timeshare residences, wedding chapels, and extensive landscaping with canals, lakes, floating pavilions, and an amphitheatre. All four hotels will be built atop one central podium, which is designed to house service and support facilities for the resort.

The existing hotel was kept partially open and operational during the two refurbishment work phases which were completed in early 2008 at an approximate cost of \$75,000,000. The Central Power Plant was



also kept in operation during the refurbishment and involved installation of new chiller, boiler plant and equipment.

The existing hotel was kept partially open and operational during the two work phases which covered an 18 month period. The Central Power Plant was also kept in operation during the installation of the new plant and equipment. Davis Langdon provided project management, scheduling, and pre- and post-contract cost management services for these two projects. Both projects were completed on time and on budget.

For the main project, Davis Langdon provided design stage cost planning services, beginning with the conceptual design phase, to ensure that the design developed in line with the budgeted funds.



This required coordination between our staff in Los Angeles working with the design architect, our staff in New York who were collaborating with the executive architect and our staff on site in the Bahamas. Currently, our team in the Bahamas is providing a full range of construction phase cost management services including forecasting overall costs to complete, contractor payment application reviews and approvals, change order reviews and negotiations, claims evaluations, cash flow projections and scheduling services.

Experience Hospitality



Trump International Hotel & Tower, Waikiki Beach Honolulu, Hawaii

This project is comprised of a new hotel and residential tower of approximately 728,000 SF including four levels of parking for 227 cars. The tower consists of 35 floors with 332 hotel suites and 130 residential units including the penthouse apartments.



Hyatt Regency New Orleans, Louisiana

This project involves the master plan for the demolition, renovation and new construction of the Hyatt Regency and surrounding structures in New Orleans, Louisiana. The new construction plan for the Hyatt includes an interior renovation, a new parking structure, grand ballroom, museum, restaurants, mid-rise and high-rise residential structures and a bridge to the Superdome.



Hilton San Francisco, California

This project includes a new 26 story hotel tower and remodeling of the existing 19 story Hilton Hotel. Covering a city block, the project also involves retrofitting the 25 year old Tabler Building for fire and life safety requirements. The project is a joint venture between Prudential Insurance Company and Hilton.

Experience Hospitality



Confidential Mixed-Use Hospitality Project

Las Vegas, Nevada

We provided conceptual design cost consulting services for the first phase of this 110-acre project. A significant component of the project's Phase 1A program is a 2.4 million GSF trade pavilion. The first two floors of this pavilion will be exhibition spaces that will open to the public. The remaining floors will be private, temporary, trade related exhibition spaces. Phase 1A also includes temporary surface parking and extended parking on the location of the future convention center; and road and street development on the connectors to Las Vegas Boulevard and Old Blue Diamond Road. We also provided studies for a potential Formula 1 circuit.



The Harmon Hotel at CityCenter Las Vegas, Nevada

CityCenter, the largest privately financed development in the United States, draws its influences from prominent traditional cities, and is designed to feel like the center of a city with supermarkets and sidewalks. Over five hundred loft-like condominiums, brownstones and other attached-housing styles have been incorporated into the retail districts.

The Harmon Hotel will contain four hundred hotel rooms and suites and will be the first exclusively private boutique non-gaming property. It is currently pursuing the highest levels of LEED certification. We provided conceptual design cost consulting services.



Peninsula Hotel Chicago and New York

A fully fitted out and operational hotel development comprising of a basement level and 23 floors above ground.

Chicago: A fully fitted out and operational hotel development comprising of 20 floors containing 339 luxurious guestrooms and suites along with a spa, restaurants and a bar, and meeting room space.

The on-site inspection of the hotels was carried out by Davis Langdon in 2005. The firm represented the Owner, Hong Kong Shanghai Hotels Ltd., and performed an asset valuation and cost segregation exercise (historical construction cost and total depreciation of the building hard elements, such as structure, partitions, and cladding). For the Chicago location, we also prepared a single cost plan segregated into appropriate components/functional areas (included building works, plant and machinery, and fixed furniture and fixtures).

Exhibit 10

A-3-STC-14-0049

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Experience Hospitality



New Event Center and Casino Expansion, Cache Creek Casino Resort Brooks, California

Phase One of this resort's one million square foot expansion includes the addition of a 52,000 SF event center, a 20,000 SF gaming floor, a nine hundred vehicle parking structure, a generator facility and the expansion of the South wing and waste water treatment facility, back of house alterations, restaurant remodels, food court renovation, spa remodel, recycled water treatment and storage upgrades and site development. We are providing project management services to the resort in two parts.

The initial evaluation phase will include the development of cost models, risk assessments and baseline scheduling. As the project moves into the later stages of design, we will provide ongoing design and project management, change order management, schedule review, a forecast of project costs and a review of invoices for compliance with contract terms.



Casino Arizona Resort Scottsdale, Arizona

We provided design phase cost estimating services for this new resort and spa. The resort includes a 440,000 GSF hotel; a 340,000 SF casino which will house restaurants, retail and back of house space; a 120,000 SF conference facility; and two parking structures, a central plant, and championship caliber golf courses.



Wild Horse Pass Resort Chandler, Arizona

The Sheraton Wild Horse Pass Resort, for which we provided design phase cost estimating services, includes a four star hotel with restaurants, ballrooms, conference center, a golf course with clubhouse, extensive landscaping and several water features including a man-made river linking the hotel to the on-site casino. This resort strives to incorporate the culture of the Pima and Maricopa tribes through the use of natural materials and architectural features that mimic the traditional styles of the residents of the Gila River Indian Community.

Experience Hospitality

El Encanto Hotel and Garden Villas Renovation

Santa Barbara, California

The 53,891 GSF renovation of the historic main building includes meeting rooms, lobby, restaurant and kitchen as well as construction of a new ballroom, spa and public restrooms in the basement. Also included in the renovation were guest rooms and suites in a variety of historic and non historic cottages. Five new cottages, housing nine new guestrooms and suites were constructed in addition to surface parking.

Cipriani Beverly Hills Hotel

Beverly Hills, California

The project consists of a renovation of an existing 14 story hotel of approximately 143,278 GSF and 114 rooms. The scope of work included an extensive interior renovation of the ground (lobby) and guest room floors (2-12), a new spa at the P1 level, and minor renovation at the P2 level. The work also includes extensive renovation of paving & landscaping and two new swimming pools.

Wilshire Grand Hotel

Los Angeles, California

This project comprised of a feasibility study for renovation and expansion of the existing hotel. Seven alternatives were considered including the demolition of the existing 50-year old Wilshire Grand Hotel and replacing it with a 40-story luxury hotel and a 60-story Class A office tower.

Fairmont Hotel Towers

San Jose, California

This new 403,913 SF high-rise hotel tower comprises of 3 levels of below grade parking with 1 level tunnel connection into existing hotel; 2 levels of lobby, retail and meeting rooms with one level bridge connection to the existing hotel and 11 levels of hotel rooms.

Fess Parker Waterfront Park Plaza Hotel

Santa Barbara, California

The project entails the design and construction of a hundred and fifty room luxury hotel and spa with parking, retail, a restaurant, meeting/ballroom, owner and manager apartments and related facilities. The hotel grounds include five separate 2-3 story buildings totaling 127,139 GSF and 131,220 GSF of site development.

Ritz Carlton Hotel

Rose Island, Bahamas

This new 380,000 GSF hotel to be constructed on Rose Island will comprise of guestrooms and 550 SF of suites with large balconies along with a swimming pool, spa, gourmet restaurant and intimate meeting space.

New Event Center and Casino Expansion, Cache Creek Casino Resort

Brooks, California

Phase One of this resort's one million square foot expansion includes the addition of a 52,000 SF event center, a 20,000 SF gaming floor, a nine hundred vehicle parking structure, a generator facility and the expansion of the South wing and waste water treatment facility, back of house alterations, restaurant remodels, food court renovation, spa remodel, recycled water treatment and storage upgrades and site development.

Experience Global

Marriott

- Courtyard Marriott
Roissy, France
- Marriott Courtyard Hotel
North Ryde, Australia
- Marriott Cost Studies
Nationwide
- Marriott Courtyard Hotel
Los Angeles, California
- Marriott Ocean Watch
Myrtle Beach, South Carolina
- Marriott Vacation Club
Orlando, Florida
- Marriott Courtyard Hotel
Tbilisi, Georgia
- Marriott Courtyard Hotel
Warsaw, Poland
- Marriott Hotel Yerba Buena Gardens
San Francisco, California
- Marriott Hotel
San Ramon, California

Four Seasons Hotels

- Four Seasons Conservatory
Washington, D.C.
- Four Seasons Canary Riverside
London, England
- Four Seasons West Bay Complex
Doha, Qatar
- Four Seasons
Umbria, Italy

Hilton Hotels

- Hilton Hotel Melbourne Airport
Melbourne Airport, Australia
- Hilton Hotel San Francisco Airport
San Francisco, California
- Hilton Hotel
Beirut, Lebanon
- Hilton Hotel
Gatwick, England
- Caledonian Hilton
Edinburgh, Scotland
- More London Hilton Hotel Plot 5
London, England
- Hilton Stockton
Stockton, California

Hyatt Hotels

- Grand Hyatt Regency
Singapore
- Grand Hyatt
New Orleans, Louisiana
- Grand Hyatt Hotel
Beirut, Lebanon
- Plaza Indonesia/Grand Hyatt
Indonesia
- Hyatt Regency Master Plan
New Orleans, Louisiana



Top: Hilton Hotel Melbourne Airport - Australia; Bottom: Four Seasons Canary Riverside - London

APPENDIX B:

Proposed Project and Project Alternatives Return on Investment Pro Forma Financial Analyses



Table B-1
Proposed Project Return on Investment Analysis

Item	Total	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
Costs											
Land Acquisition Costs [1]	(\$5,000,000)	(\$5,000,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Development Cost [2]	(\$63,855,000)	(\$20,691,000)	(\$43,164,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Costs	(\$68,855,000)	(\$25,691,000)	(\$43,164,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Revenues											
Net Operating Revenues	\$45,700,000	\$0	\$0	\$1,500,000	\$4,400,000	\$6,200,000	\$6,400,000	\$6,500,000	\$6,700,000	\$6,900,000	\$7,100,000
Hotel Sales Revenues											
Hotel Sale Revenues [3]	\$94,666,667	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$94,666,667
Cost of Sale [4]	(\$946,667)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$946,667)
Net Sales Revenue	\$93,720,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$93,720,000
Net Income	\$70,565,000	(\$25,691,000)	(\$43,164,000)	\$1,500,000	\$4,400,000	\$6,200,000	\$6,400,000	\$6,500,000	\$6,700,000	\$6,900,000	\$100,820,000
IRR	10.2%										

[1] Land acquisition cost assumed to be \$5,000,000 (in 2015 dollars).

[2] Development cost phasing assumed to 33 percent in 2015 and 67 percent in 2016.

[3] Hotel value based on capitalization rate of 7.5 percent.

[4] Cost of sale assumed to be 1 percent of sales value.

[5] Inflation rate assumed to be 3 percent.

Table B-2
Full Preservation Return on Investment Analysis

Item	Total	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
Costs											
Land Acquisition Costs [1]	(\$5,000,000)	(\$5,000,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Development Cost [2]	<u>(\$56,975,000)</u>	<u>(\$18,461,667)</u>	<u>(\$38,513,333)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Costs	(\$61,975,000)	(\$23,461,667)	(\$38,513,333)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Revenues											
Net Operating Revenues	\$32,800,000	\$0	\$0	\$1,400,000	\$3,600,000	\$4,300,000	\$4,400,000	\$4,600,000	\$4,700,000	\$4,800,000	\$5,000,000
Hotel Sales Revenues											
Hotel Sale Revenues [3]	\$66,666,667	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$66,666,667
Cost of Sale [4]	<u>(\$666,667)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$666,667)</u>
Net Sales Revenue	\$66,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$66,000,000
Net Income	\$36,825,000	(\$23,461,667)	(\$38,513,333)	\$1,400,000	\$3,600,000	\$4,300,000	\$4,400,000	\$4,600,000	\$4,700,000	\$4,800,000	\$71,000,000
IRR	6.6%										

[1] Land acquisition cost assumed to be \$5,000,000 (in 2015 dollars).

[2] Development cost phasing assumed to 33 percent in 2015 and 67 percent in 2016.

[3] Hotel value based on capitalization rate of 7.5 percent.

[4] Cost of sale assumed to be 1 percent of sales value.

[5] Inflation rate assumed to be 3 percent.

Table B-3
Partial Preservation Return on Investment Analysis

Item	Total	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
Costs											
Land Acquisition Costs [1]	(\$5,000,000)	(\$5,000,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Development Cost [2]	<u>(\$62,565,000)</u>	<u>(\$20,273,000)</u>	<u>(\$42,292,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Costs	(\$67,565,000)	(\$25,273,000)	(\$42,292,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Revenues											
Net Operating Revenues	\$37,600,000	\$0	\$0	\$1,700,000	\$4,100,000	\$4,900,000	\$5,100,000	\$5,200,000	\$5,400,000	\$5,500,000	\$5,700,000
Hotel Sales Revenues											
Hotel Sale Revenues [3]	\$76,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$76,000,000
Cost of Sale [4]	<u>(\$760,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$760,000)</u>
Net Sales Revenue	\$75,240,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$75,240,000
Net Income	\$45,275,000	(\$25,273,000)	(\$42,292,000)	\$1,700,000	\$4,100,000	\$4,900,000	\$5,100,000	\$5,200,000	\$5,400,000	\$5,500,000	\$80,940,000
IRR	7.3%										

[1] Land acquisition cost assumed to be \$5,000,000 (in 2015 dollars).

[2] Development cost phasing assumed to 33 percent in 2015 and 67 percent in 2016.

[3] Hotel value based on capitalization rate of 7.5 percent.

[4] Cost of sale assumed to be 1 percent of sales value.

[5] Inflation rate assumed to be 3 percent.

Table B-4
Reduced Height & Size Return on Investment Analysis

Item	Total	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
Costs											
Land Acquisition Costs [1]	(\$5,000,000)	(\$5,000,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Development Cost [2]	<u>(\$54,610,000)</u>	<u>(\$17,695,333)</u>	<u>(\$36,914,667)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Costs	(\$59,610,000)	(\$22,695,333)	(\$36,914,667)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Revenues											
Net Operating Revenues	\$31,800,000	\$0	\$0	\$600,000	\$2,900,000	\$4,400,000	\$4,500,000	\$4,600,000	\$4,800,000	\$4,900,000	\$5,100,000
Hotel Sales Revenues											
Hotel Sale Revenues [3]	\$68,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$68,000,000
Cost of Sale [4]	<u>(\$680,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$680,000)</u>
Net Sales Revenue	\$67,320,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$67,320,000
Net Income	\$39,510,000	(\$22,695,333)	(\$36,914,667)	\$600,000	\$2,900,000	\$4,400,000	\$4,500,000	\$4,600,000	\$4,800,000	\$4,900,000	\$72,420,000
IRR	7.1%										

[1] Land acquisition cost assumed to be \$5,000,000 (in 2015 dollars).

[2] Development cost phasing assumed to 33 percent in 2015 and 67 percent in 2016.

[3] Hotel value based on capitalization rate of 7.5 percent.

[4] Cost of sale assumed to be 1 percent of sales value.

[5] Inflation rate assumed to be 3 percent.

FINAL MEMORANDUM

To: Juliana Rebagliati, City of Santa Cruz

From: Teifion Rice-Evans, Ashleigh Kanat and Walker Toma

Subject: La Bahia Proposed Project and Project Alternatives Fiscal Impact Analysis; EPS #141040

Date: July 18, 2014

The Economics of Land Use



This memorandum presents a fiscal impact analysis of the proposed 165-room La Bahia Hotel as well as three hotel project alternatives identified and evaluated in the Environmental Impact Report (EIR) required under the California Environmental Quality Act (CEQA). The three hotel alternatives are the Full Preservation Alternative, the Partial Preservation Alternative and the Reduced Height and Size Alternative.

Project Background

The Project Site (the "Site") is located on Beach Street across from the Santa Cruz Beach Boardwalk in Santa Cruz, California, as shown in **Figure 1**. The Site is approximately 1.4 acres and contains the 44-unit La Bahia Apartments, which are currently used as rental housing primarily for students and Boardwalk employees. The apartment complex consists of six, two- to three-story buildings totaling approximately 33,000 square feet. The proposed development is referred to as the Project in this analysis.

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Figure 1 Project Site Map



Study Approach

The analysis is focused on the net new fiscal impact of the Project and Project Alternatives to the City of Santa Cruz's General Fund (gross revenues less gross expenditures), based on typical factors and activities of the uses envisioned in across the Project and Alternatives. The analysis focuses on three of the City's primary General Fund revenue sources (Property Tax, Sales Tax and Transient Occupancy Tax) and five of the City's primary General fund expenditure categories (General Government, Police, Fire, Parks & Recreation and Public Works).

This analysis compares the potential additional costs incurred by the City from providing public services to the Project and alternatives with the additional tax revenues generated by the Project and alternatives. The analysis indicates whether the Project and alternatives can be expected to have a positive or negative overall effect on the City's General Fund at stabilization. It should be noted that fiscal results (annual surpluses or deficits) are simply indicators of fiscal performance; they do not mean that the City will automatically have surplus revenues or deficits because the City must have a balanced budget each year. Persistent shortfalls shown in a fiscal analysis may indicate the need to reduce service levels or obtain additional revenues; persistent surpluses will provide the City with resources to reduce liabilities such as deferred maintenance or improve service levels.

The impacts of the proposed Project and alternatives are estimated upon completion of construction and a stabilized performance.¹ The analysis is based on a number of sources including the City of Santa Cruz's 2014/2015 Adopted Operating Budget, County and State data sources, public real estate data, data provided by the Project Sponsor, the Project Environmental Impact Report (EIR), interviews with hotel industry experts, and EPS's recent experience in the region and in comparable jurisdictions. The estimates in this analysis depend on factors such as timing of development, market performance, economic conditions, and budget practices. All results are expressed in constant 2014 dollars.

The analysis uses standard estimating procedures to estimate new General Fund revenues and an average cost approach to estimate the incremental General Fund costs to the City of providing services to the Project and alternatives. The average cost approach provides a planning-level estimate of the costs of supplying public services to the Project and alternatives. A review of Chapter 4 of the EIR indicates no new significant impact to public services, so the actual need for and costs associated with providing additional public service may be less than estimated under the average cost approach. This is often the case with infill, redevelopment projects because the city or city departments have capacity to serve the intensified use. At this point, public service cost estimates have not been reviewed by City staff and may be revised based on additional input.

¹ For the proposed Project and alternatives, stabilization is assumed to occur in year three of operation.

Key Findings

Key findings are described below and shown on **Summary Table 1**. All results are in constant 2014 dollars.

- 1. The La Bahia development proposes a new 165-room, full-service hotel. Upon stabilization (estimated to occur in year three of operation), the new development will generate the largest fiscal surplus and greatest number of jobs when compared with the alternatives.***

The proposed hotel is expected to support approximately 248 employees, or 1.5 employees per key, and an annual fiscal surplus of approximately \$1.39 million. The alternatives, if developed, would generate between 174 and 210 jobs and a net fiscal surplus of between \$961,400 and \$1.07 million annually.

- 2. The proposed Project and alternatives will generate fiscal surpluses over and above the revenues required to cover the costs to the City of providing public services.***

The fiscal impact at stabilization of the proposed Project and alternatives on the City's General Fund are estimated to be positive, with the revenues generated by the Project and alternatives estimated to be greater than the costs of providing additional public services. Annual revenues will vary by alternative and range from \$1.06 million to \$1.55 million. General Fund costs will range from approximately \$92,500 to \$146,400 annually. The resulting net impacts on the General Fund will be an annual positive surplus ranging from \$961,100 to \$1.39 million. This analysis demonstrates that the Project and all alternatives will be able to cover service costs and provide surplus revenues to increase levels of service in other parts of the City.

- 3. For the Project and alternatives, General Fund revenues are generated by a number of sources, with transient occupancy taxes (TOT) comprising the majority of the City's new revenues.***

TOT revenues are based on the estimated room revenue at stabilization and are estimated at approximately \$1,391,200 per year for the proposed Project. TOT is expected to comprise approximately 90 percent of the proposed Project's evaluated revenues to the General Fund, with Property Tax generating 6 percent, and Sales Tax contributing another 4 percent. For the purposes of this analysis, sales tax revenues only reflect taxable sales generated on-site and therefore do not account for taxable spending generated by net new visitors and net new employees.

- 4. Police Services is expected to be the highest General Fund service expenditure item associated with the proposed Project and alternatives, followed by Fire Services and Parks & Recreation.***

New Police Services expenditures will make up about 40 percent of new General Fund costs for the Project and Alternatives. Fire Services and Parks & Recreation comprise the next highest proportion of total costs at around 22 percent and 19 percent of total General Fund costs, respectively. Public Works and General Government costs are expected to comprise the remaining approximately 20 percent of General Fund costs.

Summary Table 1

Summary of Project Fiscal Impacts on City's General Fund at Project Stabilization (2014\$)

Item	Annual Amount 2014\$			Reduced Height and Size
	Proposed Project	Full Preservation	Partial Preservation	
<u>Select General Fund Revenues</u>				
Property Tax (1)	\$88,500	\$80,000	\$87,000	\$77,100
Sales Tax (2)	\$56,000	\$28,000	\$30,000	\$56,000
Transient Occupancy Tax (3)	<u>\$1,391,200</u>	<u>\$951,200</u>	<u>\$1,065,300</u>	<u>\$929,200</u>
Total Estimated Revenues	\$1,535,700	\$1,059,200	\$1,182,300	\$1,062,300
<u>Select General Fund Expenditures</u>				
General Government (4,5)	\$10,100	\$6,800	\$7,900	\$6,400
Police Department	\$58,400	\$39,000	\$45,300	\$36,900
Fire Department	\$32,600	\$21,800	\$25,300	\$20,600
Parks	\$27,300	\$18,200	\$21,200	\$17,200
Public Works	<u>\$18,000</u>	<u>\$12,000</u>	<u>\$14,000</u>	<u>\$11,400</u>
Total Estimated Expenditures	\$146,400	\$97,800	\$113,700	\$92,500
Total Annual Net Fiscal Impact	\$1,389,300	\$961,400	\$1,068,600	\$969,800

(1) Based on expected net increase in assessed values and post-ERAF tax allocation factor. Does not include property tax revenue from unsecured property assessed value.

(2) Sales tax generation is based on direct onsite sales only.

(3) Based on 11 percent transient occupancy tax levied by the City of Santa Cruz.

(4) General Government includes City Council, City Attorney, City Manager, Administrative Services, and Finance.

(5) Impacts on these department may be minimal, although average cost estimate is included to be conservative.

Sources: City of Santa Cruz 2014-2015 Adopted Operating Budget; Economic & Planning Systems, Inc.

Description of Project and Project Alternatives

Characteristics of the proposed Project and the evaluated alternatives are described below and displayed in **Table 1**. More detailed descriptions of the Project and the alternatives can be found in the EIR.

Proposed Project

The proposed Project entails the demolition of the existing La Bahia apartment complex, except for a portion of one building featuring a bell tower that will be retained and rehabilitated, and the construction of a new 165-room boutique hotel. The hotel will include 4,800 square feet of restaurant/kitchen space, a 750 square day spa, 7,675 square feet of meeting/banquet space, 2,500 square feet of retail, and 210 parking spaces in two levels of underground parking.

Alternative A: Full Preservation Alternative

This Alternative envisions the preservation of all six existing structures with the construction of a new hotel building on the northwest portion of the site. The Full Preservation Alternative would include 125 rooms and between 134 and 144 parking spaces. Meeting/Banquet, restaurant and retail spaces would be reduced under this Alternative. The size of the swimming pool would also be reduced and there would be no spa facility under this Alternative.

Alternative B: Partial Preservation Alternative

This Alternative envisions the preservation of two out of the six existing structures with the construction of a new hotel building on the northwest portion of the site. The Partial Preservation Alternative would include 140 rooms and 151 parking spaces. Meeting/Banquet, restaurant, spa and retail spaces would be reduced under this Alternative.

Alternative C: Reduced Height and Size Alternative

This Alternative reduces the height of the hotel so that it is consistent with the 36-foot Beach Zone Commercial Height Limit, which would apply to the Project Site without a Planned Development (PD) permit approval. This Alternative would include the same scope of preservation and development footprint as envisioned in the Proposed Project but would remove one story off of the new hotel development component of the project. The Reduced Height and Size Alternative would include 116 rooms and 210 parking spaces (the parking is equal to the total in the Proposed Project despite the reduced room count). Meeting/Banquet, restaurant, spa and retail spaces would all be consistent with the proposed project. The swimming pool would also be consistent with the Proposed Project.

Table 1
Project Description and Assessed Value Estimates (2014\$)
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Item	La Bahia Hotel Alternatives			
	Proposed Project	Full Preservation	Partial Preservation	Reduced Height and Size
Number of Rooms/Units	165	125	140	116
Square Footage (Includes Parking if Applicable)	198,327	150,063	171,580	166,077
<u>Secured Assessed Value</u>				
Per Sq.Ft. (1)	\$325	\$387	\$368	\$336
Total (Rounded)	\$64,400,000	\$58,000,000	\$63,200,000	\$55,800,000
Land Value (2)	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Total Secured Assessed Value	\$69,400,000	\$63,000,000	\$68,200,000	\$60,800,000

(1) Based on development costs provided by David Cobb of AECOM. Development costs for the alternatives are consistent with EPS financial feasibility analysis. Unsecured assessed value is not included in this analysis.

(2) Based on property owner estimate and in reality may vary depending on the allowed uses. Includes acquisition costs. Consistent with La Bahia Hotel Proposed Project and EIR Alternatives Feasibility Analysis.

Sources: AECOM; Economic & Planning Systems, Inc.

Table 2
Project Alternatives Service Population (Resident Equivalents)
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Resident Equivalents	La Bahia Hotel Alternatives			
	Proposed Project	Full Preservation	Partial Preservation	Reduced Height and Size
Employment, Resident Equivalents				
Square Footage (Includes Parking if Applicable)	198,327	150,063	171,580	166,077
Employee Population (1)	247.5	187.5	210.0	174.0
Resident Equivalents (2)	111.4	84.4	94.5	78.3
New Resident Equivalents	111.4	84.4	94.5	78.3
Overnight Visitor, Resident Equivalents				
Number of Rooms (3)	165	125	140	116
Occ. % (4)	70%	67%	67%	70%
Number of Overnight Visitors (5)	231.0	166.3	186.2	162.4
Resident Equivalents (6)	231.0	166.3	186.2	162.4
New Resident Equivalents	231.0	166.3	186.2	162.4
Total, New Resident Equivalents	342.4	250.6	280.7	240.7
Estimate of Existing Residents (7)	66	66	66	66
Estimate of Existing Employment (8)	1.0	1.0	1.0	1.0
Existing Resident Equivalents (9)	66.5	66.5	66.5	66.5
Total Net New Resident Equivalents	275.9	184.2	214.3	174.3

(1) Employee population estimates for the hotel alternatives assume 1.5 employees per hotel room. This estimate is based on interviews with industry experts and previous EPS experience with comparable projects. This estimate includes employment for the retail, spa and restaurant components of the alternatives.

(2) Because employees do not generate demand for City services to the same extent that residents do, this analysis applies a resident equivalent factor of 0.45 per employee. This assumption is based on inflow/outflow trends for residents and workers in the City of Santa Cruz as shown in **Table 3** and then rounded.

(3) La Bahia Hotel EIR.

(4) Occupancy rates were provided by the Project Sponsor and reflect the hotel in the third year of operations (stabilization). EPS vetted these rates by reviewing current and historical data from Santa Cruz and comparable markets from Smith Travel Research, available hotel data on the recent performance of the City of Santa Cruz's high-end hotels, and hotel industry publications and trends reports. Occupancy rate assumptions are consistent with EPS' prior feasibility analysis for the La Bahia Proposed Project and Alternatives.

(5) Assumes 2.0 visitors for each occupied room. Based on averages from recent surveys in comparable hotel markets including San Francisco, CA, Palm Beach, FL and Scottsdale, AZ.

(6) For the purposes of this analysis, EPS assumes that overnight visitors require a comparable level of service from the City of Santa Cruz as a resident and are therefore weighted equally. While the overnight visitor population will be constantly turning over, this analysis assumes that at any given time, the average number of overnight visitor resident equivalents will remain stable.

(7) Analysis assumes 1.5 residents per unit.

(8) Existing employment assumptions are based on interviews with Bay Area multi-family property owners.

(9) The existing resident equivalent estimate is calculated as the existing number of residents plus 45% times the existing number of estimated employees.

Source: Economic & Planning Systems, Inc.

Table 3
Resident-Employee Weighting and Relationship
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Category	Number (1)	Share of Sub-Group	Share of Total	Weight (2)	Weighted Percentage	Normalized to 100%
Residents						
Not in Labor Force/Unemployed	24,017	39%	27%	100%	39%	
Employed in Santa Cruz	22,747	36%	25%	66%	24%	
Employed outside of Santa Cruz	<u>15,608</u>	<u>25%</u>	<u>17%</u>	66%	<u>16%</u>	
Total Residents	62,372	100%	70%		79%	100%
Employees (Jobs in Santa Cruz)						
Live in Santa Cruz	7,139	26%	8%	34%	9%	
Live outside of Santa Cruz	<u>20,213</u>	<u>74%</u>	<u>23%</u>	34%	<u>25%</u>	
Total Employees	27,352	100%	30%		34%	43%
Total Residents and Employees	89,724		100%			

(1) 2011 LED OnTheMap employment estimates used to calculate employee weighting.

(2) Weighting based on percent of annual number of "waking" hours [5,840 = 16 hours per day * 365 days per year] and percent of annual number of hours at job [2,000 = 40 hours per week * 50 weeks per year].

Sources: City of Santa Cruz 2014 population data; LED On The Map, 2011; Economic & Planning Systems, Inc.

Fiscal Impact Analysis

This chapter describes the methodology and key assumptions used in calculating the impact of the proposed Project and Alternatives on the City of Santa Cruz's General Fund. The analysis considers the impact of the operations of the net new development only, as the existing apartment development and the current residents and employees are already generating revenues and using City services.

For each revenue and expenditure item, EPS uses a specific forecasting methodology. The forecasting approach for General Fund revenues is shown on **Table 4**. The forecasting approach for General Fund expenditures is shown on **Table 5**. The summary of results is shown on **Table 6** and summarized below.

- **Resident Equivalent Population.** The relative impacts of employees, and overnight visitors are evaluated and weighted to estimate a total "resident equivalent" population. While an employee (who works in Santa Cruz but lives outside of Santa Cruz) is only likely to access City of Santa Cruz services during work hours and, therefore, has a significantly lower impact than the residential population, an overnight visitor is likely to access services at a level equitable to a resident. Based on inflow/outflow trends for residents and workers in the City of Santa Cruz and an evaluation of the "waking hours" residents and employees spend in the City (as shown in **Table 3**), it is estimated that employees require City services at approximately 45 percent the amount residents do. The Resident Equivalent estimate is shown on **Table 2**.
- **Not Affected.** Many budget items are not estimated in this analysis because certain City revenues and expenditures are not significantly affected by new development associated with this Project or alternatives, such as Rents & Miscellaneous Revenues and Fines & Forfeitures.

General Fund Revenues

This section describes the methodology and assumptions used for each revenue item estimated in this analysis. Several General Fund revenue items are not forecasted because the Project and alternatives are not expected to significantly affect them.

Property Tax

Property taxes are based on the assessed value of land and on-site improvements.² Though the actual assessed value of the proposed Project and alternatives will be determined by market conditions and other factors at the time of assessment, the analysis uses construction costs as a proxy for estimating the assessed value of the new development, which is consistent with the approach used by the Santa Cruz County Assessor's Office. The estimated construction cost is approximately \$64 million for the proposed Project, \$58 million for the Full Preservation Alternative, \$63 million for the Partial Preservation Alternative, and \$56 million for

² For the purposes of this analysis, only secured assessed value is estimated.

Table 4
General Fund Major Revenues and Estimating Methodology
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Item	FY 2014/15 Adopted Budget	% of Total	Estimating Methodology	Table Reference
Revenues (1)				
Property Tax	11,236,000	15%	Case Study; Assessed Value	See Table 9
Sales & Use Tax	15,046,000	21%	Case Study	See Table 10
Transient Occupancy Tax	5,800,000	8%	Case Study	See Table 11
Franchise Fees	3,211,000	4%	Not Estimated	
VLF Backfill	4,492,000	6%	Not Estimated	
Utility Users Tax	11,347,000	16%	Not Estimated	
Admission Taxes	2,112,000	3%	Not Estimated	
Parking Lot Tax	449,000	1%	Not Estimated	
Business License Tax	978,000	1%	Not Estimated	
Other Taxes	425,000	1%	Not Estimated	
Licenses & Permits	937,800	1%	Not Estimated	
Intergovernmental	394,765	1%	Not Estimated	
Charges for Services	10,207,414	14%	Not Estimated	
Fines & Forfeitures	1,498,000	2%	Not Estimated	
Rents & Misc Revenues	4,611,850	6%	Not Estimated	
Fund Transfers In	<u>70,718</u>	<u>0%</u>	Not Estimated	
Total Major Revenues	\$72,816,547	100%		

(1) For purposes of this planning-level analysis, only three General Fund revenue items are estimated.

Sources: City of Santa Cruz 2014-2015 Adopted Operating Budget; Economic & Planning Systems, Inc.

Table 5
General Fund Expenditures and Estimating Methodology
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Item	FY 2014/15 Budget	% Costs Variable	Estimating Methodology
Expenditures			
General Government (1)	\$11,555,125	25%	Per Resident Equivalent
Police Department	\$22,215,932	75%	Per Resident Equivalent
Fire Department	\$12,399,155	75%	Per Resident Equivalent
Parks	\$10,374,076	75%	Per Resident Equivalent
Public Works	\$6,840,919	75%	Per Resident Equivalent
Non-Departmental	\$7,403,597	--	Not Estimated
Planning & Community Development	\$3,859,076	--	Not Estimated
Economic Development	\$2,130,935	--	Not Estimated
Library Services	<u>\$1,394,751</u>	--	Not Estimated
Total General Fund Expenditures	\$78,173,566		

(1) Includes City Attorney, City Council, City Manager, Finance and Administrative Services.

Sources: City of Santa Cruz FY 2014-2015 Adopted Operating Budget; Economic & Planning Systems, Inc.

Table 6
Summary of Project Fiscal Impacts on City's General Fund at Project Stabilization (2014\$)
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

	Annual Amount 2014\$				
Item	Proposed Project	Full Preservation	Partial Preservation	Reduced Height and Size	Table Reference
<u>Revenues</u>					
Property Tax (1)	\$88,500	\$80,000	\$87,000	\$77,100	See Table 9
Sales Tax (2)	\$56,000	\$28,000	\$30,000	\$56,000	See Table 10
Transient Occupancy Tax (TOT) (3)	<u>\$1,391,200</u>	<u>\$951,200</u>	<u>\$1,065,300</u>	<u>\$929,200</u>	See Table 11
Total Revenues	\$1,535,700	\$1,059,200	\$1,182,300	\$1,062,300	
<u>Expenditures</u>					
General Government (4,5)	\$10,100	\$6,800	\$7,900	\$6,400	See Table 12
Police (6)	\$58,400	\$39,000	\$45,300	\$36,900	See Table 12
Fire (6)	\$32,600	\$21,800	\$25,300	\$20,600	See Table 12
Parks (6)	\$27,300	\$18,200	\$21,200	\$17,200	See Table 12
Public Works (6)	\$18,000	\$12,000	\$14,000	\$11,400	See Table 12
Community Development	Not Estimated	Not Estimated	Not Estimated	Not Estimated	--
Library Services	Not Estimated	Not Estimated	Not Estimated	Not Estimated	--
Non-Departmental	<u>Not Estimated</u>	<u>Not Estimated</u>	<u>Not Estimated</u>	<u>Not Estimated</u>	--
Total Costs	\$146,400	\$97,800	\$113,700	\$92,500	
Total Annual Net Fiscal Impact	\$1,389,300	\$961,400	\$1,068,600	\$969,800	

(1) Based on expected net increase in secured assessed values and post-ERAF tax allocation factor. Totals do not include VLF.

(2) Sales tax generation is based on estimates of taxable transactions generated by new employees and net new overnight visitors in the City and does not include sales tax generated from direct sales or business-to-business sales.

(3) Based on 11 percent transient occupancy tax levied on all accommodations in the City of Santa Cruz.

(4) General Government includes City Council, City Attorney, City Manager, Administrative Services, and Finance.

(5) Impacts on these departments may be minimal, although average cost estimate is included to be conservative.

(6) Estimated based on service population.

Sources: City of Santa Cruz 2014-2015 Adopted Operating Budget; Economic & Planning Systems, Inc.

the Reduced Height and Size Alternative.³ The value of the land is assumed to \$5 million and is based on property owner estimates.⁴ Total secured assessed value estimates are shown in **Table 7**.

Santa Cruz County currently collects property tax based on 1.0 percent of the assessed value, and the City of Santa Cruz receives approximately 13.3 percent of the 1.0 percent property tax amount.⁵ This share is assumed fixed going forward. The assessed value of the existing development is shown on **Table 8**. Property tax revenue calculations for the new development are based on future assessed value and are net of the existing assessed value. Calculations are shown on **Table 9**.

Sales Tax

For the purposes of this analysis, only taxable sales generated on-site are included in the fiscal impact evaluation. Taxable sales generated elsewhere in the City by net new visitors and net new employees are not included in this analysis. The Project and Alternatives are expected to generate on-site sales tax from restaurant, bar, retail and spa uses. Taxable sales estimated for this analysis are based on revenue results from EPS' La Bahia Proposed Project and Alternatives Feasibility Analysis and assume all revenue from restaurant, bar, spa and retail sales will be taxable. Of these sales, the City receives 1 percent in sales tax revenue from expenditures occurring in the City. Results are shown in **Table 10**.

Transient Occupancy Tax

The City of Santa Cruz levies an 11 percent transient occupancy tax on all accommodation-generated revenue within the City. Total room revenue for the La Bahia proposed Project and Alternatives is calculated based on the number of rooms, room rates, and occupancy rates under each Alternative. Occupancy, room nights and average room rates are based on EPS' feasibility analysis. This calculation is shown on **Table 11**.

³ All construction cost estimates are provided by David Cobb of AECOM.

⁴ Land value is assumed to include acquisition costs and is consistent with the La Bahia Hotel Proposed Project and EIR Alternatives Feasibility Analysis.

⁵ The parcels that the Project site is located on are 007-214-01 and 007-214-02. These parcels are all located in TRA 01-027. The City of Santa Cruz' property tax share for tax rate area (TRA) 01-027 (post-ERAF and less the share to redevelopment) is estimated to be 13.3 percent. Note that Santa Cruz County does not calculate post-ERAF property tax allocation factors at the TRA level. Therefore, for the purposes of this analysis, the Citywide redevelopment pass through and ERAF shift percentage is applied to the TRA specific to the La Bahia site.

Table 7
Resident Equivalent Calculation
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Item	Residential	Employment	Overnight Visitors	Resident Equivalent Population (1)
City Population (2014)	62,372	-		62,372
City Employment (2014)	-	27,352		13,676
City Overnight Visitors	-	-	2,686	<u>2,686</u>
Current Resident Equivalent Population				78,734

(1) Because employees do not generate demand for City services to the same extent that residents do, this analysis applies a resident equivalent factor of 0.45 per employee. This assumption is based on inflow/outflow trends for residents and workers in the City of Santa Cruz as shown in **Table 3** and rounded.

Sources: California Employment Development Department; City of Santa Cruz; Smith Travel Research; Economic & Planning Systems, Inc.

Table 8
Existing Assessed Value of Project Site
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Parcel Information	Building Sq. Ft.	Secured Assessed Value			Total Secured Assessed Value
		Land Value	Improvements Value	Exemptions (SCC)	
Parcel Number 007-214-01	0	\$690,143	\$5,525	\$0	\$695,668
Parcel Number 007-214-02	33,490	\$1,242,257	\$873,120	\$0	<u>\$2,115,377</u>
La Bahia Apartments					\$2,811,045

Sources: Santa Cruz County Assessor; Economic & Planning Systems, Inc.

Table 9
Property Tax Revenues
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Item	Assumptions	La Bahia Hotel Alternatives			
		Proposed Project	Full Preservation	Partial Preservation	Reduced Height and Size
1% Property Tax					
Project Secured Assessed Value		\$69,400,000	\$63,000,000	\$68,200,000	\$60,800,000
Existing Assessed Value		<u>\$2,811,045</u>	<u>\$2,811,045</u>	<u>\$2,811,045</u>	<u>\$2,811,045</u>
Total Net New Assessed Value		\$66,588,955	\$60,188,955	\$65,388,955	\$57,988,955
Property Tax Total	1.00% of Assessed Value	\$665,890	\$601,890	\$653,890	\$579,890
City Property Tax Share (1)	13.30%	\$88,549	\$80,038	\$86,953	\$77,113

(1) The City of Santa Cruz' property tax share for tax rate area (TRA) 01-027 (post-ERAF and less the share to redevelopment) is estimated to be 13.3 percent. Note that Santa Cruz County does not calculate post-ERAF property tax allocation factors at the TRA level. Therefore, for the purposes of this analysis, the citywide redevelopment pass through and ERAF shift percentage is applied to the TRA specific to the La Bahia site.

Sources: City of Santa Cruz FY 2014 Adopted Operating Budget; County of Santa Cruz Auditor-Controller; Economic & Planning Systems, Inc.

Table 10
Sales and Use Tax Calculation
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Item	Assumptions	La Bahia Hotel Alternatives			
		Proposed Project	Full Preservation	Partial Preservation	Reduced Height and Size
Direct On-Site Sales (1)					
Restaurant & Bar (2)		\$4,800,000	\$2,500,000	\$2,500,000	\$4,800,000
Spa & Retail (2)		<u>\$800,000</u>	<u>\$300,000</u>	<u>\$500,000</u>	<u>\$800,000</u>
Total Onsite Taxable Sales		\$5,600,000	\$2,800,000	\$3,000,000	\$5,600,000
Subtotal New Sales Tax to the City	1% of taxable sales	\$56,000	\$28,000	\$30,000	\$56,000

(1) For the purposes of this analysis, only taxable sales generated on-site are included in the fiscal impact evaluation. Therefore, taxable sales generated elsewhere in the City by net new visitors and net new employees is not included in this analysis.

(2) Based on revenue results from EPS' La Bahia Proposed Project and Alternatives Feasibility Analysis. Assumes all revenue from restaurant, bar, spa and retail sales will be taxable.

Source: State Board of Equalization, Table 23-A; Economic & Planning Systems, Inc.

Table 11
Transient Occupancy Tax Calculation
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Item	Assumptions	La Bahia Hotel Alternatives			
		Proposed Project	Full Preservation	Partial Preservation	Reduced Height and Size
Transient Occupancy Tax Calculation					
Total Rooms (1)		165	125	140	116
Average Occupancy Rate (1)		70%	67%	67%	70%
Total Annual Room Nights (1)		42,158	30,341	33,982	29,638
Average Room Rate (\$2014) (1)		<u>\$300</u>	<u>\$285</u>	<u>\$285</u>	<u>\$285</u>
Total Room Revenue (\$2014)		\$12,647,250	\$8,647,078	\$9,684,728	\$8,446,830
Total Net New Taxable Expenditures (2)	11% of revenue	\$1,391,197.50	\$951,179	\$1,065,320	\$929,151

(1) Room count based on La Bahia Hotel EIR. Occupancy, room nights and average room rates based on EPS feasibility analysis.

(2) Based on 11 percent transient occupancy tax for all accommodations in the City of Santa Cruz.

Sources: La Bahia EIR; City of Santa Cruz; Economic & Planning Systems, Inc.

General Fund Expenditures

This section describes the methodology and key assumptions used for calculating select General Fund expenditure items. Certain expenditure categories, such as General Government, consist of both fixed and variable costs. While fixed costs are independent of new development, variable costs are assumed to increase in proportion to new growth in the City. Only variable costs are used to project the General Fund expenditures in this analysis. The approach is presented on **Table 5** with the costs summarized on **Table 6**. Several items are not forecasted because they are not expected to be significantly affected by the proposed Project or alternatives.

General Government

The City's General Government category includes the following departments:

- City Attorney
- City Council
- City Manager
- Administrative Services
- Finance

Based on EPS's experience with similar projects and research in similar jurisdictions, new development of the scale of the Project and alternatives typically impacts General Government costs by only a fraction of these departments' operating budgets. As a result, EPS assumes that 25 percent of the cost of General Government services are variable and will be affected by new development; the remaining 75 percent represent fixed costs and services that will not be affected by the Project or alternatives. The portion of General Government costs assumed to be affected by new development is estimated at an average of \$27 per resident equivalent. This calculation is shown on **Table 12**.

Police Services

EPS assumes that 75 percent of the cost of Police Services are variable and will be affected by new development; the remaining 25 percent represent fixed costs and services that will not be affected by the Project or alternatives. The portion of Police Services costs assumed to be affected by new development is estimated at an average of \$212 per resident equivalent. This calculation is shown on **Table 12**.

Fire Services

EPS assumes that 75 percent of the cost of Fire Services are variable and will be affected by new development; the remaining 25 percent represent fixed costs and services that will not be affected by the Project or alternatives. The portion of Fire Services costs assumed to be affected by new development is estimated at an average of \$118 per resident equivalent. This calculation is shown on **Table 12**.

Table 12
Government Expenditures
Fiscal Impact Analysis of the La Bahia Hotel EIR Alternatives; EPS #141040

Item	FY 2014/15 Budget <i>a</i>	% of Costs Variable (1) <i>b</i>	Variable Exp. per Service Pop (2) <i>c = (a*b)/service pop</i>	La Bahia Hotel Alternatives			
				Proposed Project	Full Preservation	Partial Preservation <i>d= c*project service pop</i>	Reduced Height and Size
General Government (3)	\$11,555,125	25%	\$37	\$10,124	\$6,757	\$7,861	\$6,393
Police	\$22,215,932	75%	\$212	\$58,392	\$38,975	\$45,340	\$36,875
Fire	\$12,399,155	75%	\$118	\$32,590	\$21,753	\$25,305	\$20,581
Parks	\$10,374,076	75%	\$99	\$27,267	\$18,200	\$21,172	\$17,219
Public Works	<u>\$6,840,919</u>	75%	<u>\$65</u>	<u>\$17,981</u>	<u>\$12,002</u>	<u>\$13,961</u>	<u>\$11,355</u>
Total, Selected Departments	\$63,385,207		\$530	\$146,353	\$97,688	\$113,640	\$92,423

(1) Estimate of costs for these general government functions which will vary with population growth is estimated based on EPS's experience in Santa Cruz and in similar jurisdictions.

(2) See Table 3 for the calculation of the City's service population.

(3) Includes City Attorney, City Council, City Manager, Finance and Administrative Services.

Sources: City of Santa Cruz FY 2014-2015 Adopted Operating Budget; Economic & Planning Systems, Inc.

Parks & Recreation and Public Works

This category includes costs associated with maintaining parks, streets and trees, engineering, managing facilities, and operating ground maintenance. No new public parks or streets are proposed as part of the Project or alternatives. Therefore, impacts on Parks & Recreation and Public Works expenditures are expected to be minimal. Nevertheless, at stabilization, the Parks & Recreation and Public Works departments will incur an increase of costs associated with normal wear and tear in the City from the Project's and alternatives' overnight visitors and employees utilizing existing infrastructure and park land. Accordingly, additional staff and equipment are assumed to be necessary to provide maintenance services. To be conservative, departmental costs for both Parks & Recreation and Public Works are assumed to be 75 percent variable (excludes fixed costs and costs recovered through fees), resulting in expenditures of \$99 for Parks & Recreation and \$65 for Public Works per resident equivalent. Estimated total annual costs are shown in **Table 12**.

Net Fiscal Impact on General Fund

Based on the assumptions and analysis described above, the annual net fiscal impact associated with the proposed Project is estimated at approximately \$1,389,300 at Project stabilization, as summarized in **Summary Table 1** and **Table 6**. The net fiscal impacts are estimated to be \$961,400 for the Full Preservation Alternative, \$1,068,600 for the Partial Preservation Alternative, and \$969,800 for the Reduced Height and Size Alternative. Actual fiscal impacts will vary due to the actual timing of Project buildout and changes in economic and budgetary conditions.



MEMORANDUM

DATE: August 13, 2014

SUBJECT: Low Cost Visitor Facilities in the City of Santa Cruz

The City of Santa Cruz provides and protects lower cost visitor and recreation facilities, consistent our history and with the certified LCP for the City. The LCP does not contain policies specifically requiring low cost visitor serving accommodations. The only mention of cost relative to accommodation in the City's certified LCP are policies and discussion of upgrading the aging hotel stock, and providing a full service conference hotel facility.

The following are some of the facilities within the city that are low to no-cost:

- Santa Cruz Beach Boardwalk – Run by the Seaside Company (also owners of the La Bahia), the Boardwalk amusement park offers free access, as well as free entertainment such as the summer concert series.
- Carmelita Cottages – The City recognizes the importance of providing lower cost visitor serving accommodations and has taken several actions over the years to ensure that affordable accommodations are provided. The City has directly subsidized the sustainable operation of Carmelita Cottages, a hostel run by the Santa Cruz Hostel Society. The City owns the property and adjacent park land which it leases to the Santa Cruz Hostel Society for \$1/year. The hostel is located a block and a half from the beach and is in the coastal zone. The 30-year lease agreement requires that the Santa Cruz Hostel Society operate Carmelita Cottages as a hostel accommodation and that the adjacent park land be made available to all guests and the general public.
- Monterey Bay National Marine Sanctuary Exploration Center – This state-of-the art visitor center opened July 23rd, 2012. Overlooking the ocean, the Sanctuary Exploration Center is located in the heart of Santa Cruz's beach area just steps away from the city's Municipal Wharf. The center features interactive and multi-media exhibits to help visitors explore the sanctuary's marine environment. The City owns the property and the Exploration Center building, and managed its construction. By terms of the City's agreement with NOAA admission is free.
- Santa Cruz Municipal Wharf – The historic wharf, now celebrating its 100-year anniversary, is owned and managed by the City of Santa Cruz. The wharf provides recreation, fishing, walking ½ mile into the bay, restrooms, dining, shopping and parking for visitors. Access is free. Most of the water edge of the wharf is directly accessible to pedestrians, unlike other piers in California. The City obtained a substantial Federal EDA grant to prepare a master plan and

engineering report in order to maximize coastal access and maintain the wharf for the next 100-years.

- West Cliff Drive Bicycle and Pedestrian Path – The highly used path connects the Main Beach to Natural Bridges State Beach and coastal parks to the north, providing walkers, joggers, and bikers recreational activities as well as beautiful views of the Monterey Bay.
- San Lorenzo Levee Path – This bike path connects the Harvey West area to Downtown to the Beach Boardwalk. It runs on the west side of the San Lorenzo River and crosses under the road bridges.
- Lighthouse Field State Beach – The 38-acre open space provides hiking, and is home to the *Santa Cruz Surfing Museum* located in the Memorial Lighthouse. The City and County were instrumental in saving that property from development to create public ownership and access in perpetuity.
- Beach Area/Downtown Shuttle - The City with its business partners provides a very popular Beach Shuttle. The cost is 25 cents.
- Public Access Points to the Coast – All access points to the coast identified in the LCP have been acquired, provided and maintained.
- Santa Cruz Greenbelt – Over many years and through many voter approved tax initiatives the City of Santa Cruz has purchased a public open space greenbelt around the entire city. The greenbelt properties (some in the Coastal Zone) provide free public access and natural habitat resource protection.
- Santa Cruz Harbor -

Other points to consider:

- The La Bahia project converts a residential use in a key coastal location to a higher use visitor serving accommodation use. (Replacement residential housing has already been constructed.)
- The Santa Cruz beach area and the City as a whole has a hotel stock consisting primarily of smaller aging properties that have not been upgraded in many years, and many that are in decline. There are only a few larger hotels, and only one in the Coastal Zone. Many of these older smaller properties garner high rates because of lack of competition in the high season. These are often used for short term rentals in the off-season – not so much for tourists. Some do not provide good visitor experiences. The City has created generous incentive and loan programs to encourage reinvestment and improvements to these existing hotels.
- The City, as reflected in its LCP, has considered and provided lower cost visitor and all visitor serving amenities into an integrated tourist experience over the years. Not piecemeal as a result of impacts and mitigations – but proactively.

RECEIVED

AUG 27 2014

California Coastal Commission,
Central Coast Area

FINAL MEMORANDUM

To: Juliana Rebagliati, City of Santa Cruz
From: Teifion Rice-Evans, Walker Toma, and Claire Walker
Subject: Low Cost Visitor Accommodation in Santa Cruz and the
Expected Effects of La Bahia Hotel Development;
EPS #141040
Date: July 18, 2014

The Economics of Land Use



Economic & Planning Systems, Inc. (EPS) was asked to review the characteristics of visitor accommodation in the City of Santa Cruz and to assess the expected effects of the development of the proposed La Bahia Hotel on the affordability of overnight lodging in the Santa Cruz area. This memorandum provides an overview of the current overnight lodging options in the City of Santa Cruz, compares the cost of the City's primary accommodations with those of other medium-sized cities on the central coast, and evaluates the expected effects of the addition of the La Bahia Hotel to the City's hotel inventory. A summary of findings is provided before the more detailed analysis.

Summary of Findings

Key findings are as follows:

- The 165-room La Bahia Hotel will increase hotel rooms in the City of Santa Cruz by about 7.5 percent from its current inventory of 2,170 hotel/motel rooms.
- This increase in the supply of hotel rooms will exert a modest but real downward pressure on room rates in the City of Santa Cruz.
- The City of Santa Cruz draws substantial overnight and day visitors primarily attracted by its beach, boardwalk, Wharf, and Downtown. The development of the La Bahia Hotel will not change the fundamental drivers of demand for overnight accommodations in the City of Santa Cruz, but will provide more options for overnight visitors and, all other things equal, a lower average room rate.
- The City's current inventory of 2,170 hotel/motel rooms achieves an average annual room rate of \$131 each night (with substantial variation around the average), well below other medium sized cities on the central coast.

Economic & Planning Systems, Inc.
One Kaiser Plaza, Suite 1410
Oakland, CA 94612
510 841 9190 tel
510 740 2080 fax

Oakland
Sacramento
Denver
Los Angeles

www.epsys.com

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- Over 40 percent of the City of Santa Cruz's hotel inventory is classified as "economy" (the lowest cost allocation) by Smith Travel Research, compared with less than 20 percent of the rooms in Monterey and Santa Barbara and less than 10 percent of the rooms in Half Moon Bay and Other Santa Cruz County markets.¹
- The City also offers camping opportunities and subsidized hostel rooms, while private households add to the overnight options by offering private accommodations through VRBO and AirBnB.

Santa Cruz Visitor Accommodation

The County of Santa Cruz includes about 68 overnight lodging establishments with roughly 3,600 rooms. Of the County total, 47 overnight lodging establishments and approximately 2,200 rooms are located in the City of Santa Cruz.² The majority of these lodging establishments were developed before 1990, though many have seen reinvestment over time. The majority of the City's lodging establishments fall into the economy (42 percent of total room inventory) or midscale (9 percent) categories. Currently, of the nearly 2,200 total rooms, approximately one-quarter are classified as either luxury or upper upscale, which includes establishments such as the Beach Street Inn and Suites, Chaminade at Santa Cruz, the West Cliff Inn, the Santa Cruz Dream Inn and the Hotel Paradox. With the exception of Chaminade at Santa Cruz, which is located north of the Cabrillo Highway, all of the other upper tier establishments are located within proximity to the Municipal Wharf along the beach or in downtown Santa Cruz. In addition to the four upper-end facilities, the beach area has a significant stock of older hotel and motel buildings such as the Seaway Inn, Coastview Inn, and the Howard Johnson Inn.

The room rates and occupancy at hotels in the Santa Cruz market is affected by a strong seasonality with the summer months supporting substantially higher rooms rates than the off-peak and shoulder months. **Table 1** and **Figure 1** show the variations by month and annual averages between January 2008 and March 2014 for the City of Santa Cruz hotels/motels. As shown, 2013 saw an average occupancy rate of 62 percent and an average daily rate (room rate) of \$131. This represented an improved market performance (higher average annual room rate and occupancy rate) than in the preceding years (2008 – 2012). At this occupancy rate, these Santa Cruz hotels recorded approximately 490,100 overnight room stays.³ **Table 1** and **Figure 1** also show the substantial seasonality of overnight visitor attraction with 2013 average monthly occupancy rates varying from 43 percent in January to 82 percent in July and average daily rates (room rates) varying from \$94 per night in January to \$167 per night in August.

¹ Other Santa Cruz County includes hotels outside of the City of Santa Cruz and also excluding the City of Watsonville that has dissimilar locational characteristics.

² Smith Travel Research, 2014.

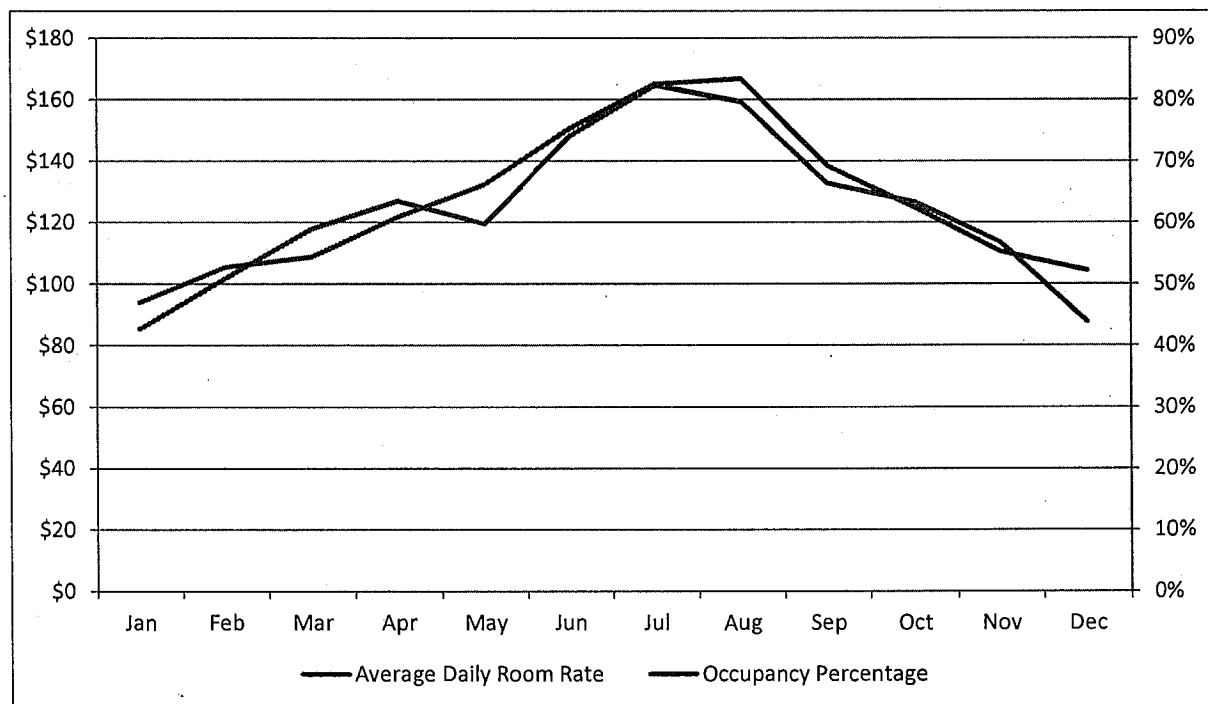
³ Represents 62 percent occupancy rate applied to the 2,170 rooms across 365 nights. Actual number of distinct visitors associated with this room occupancy will depend on number of visitors per room and the length of each stay.

Table 1 City of Santa Cruz Occupancy by Month (2008 – March 2014)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2008	40%	49%	55%	54%	56%	62%	71%	71%	55%	49%	40%	31%	53%
2009	34%	42%	45%	52%	48%	55%	70%	69%	53%	51%	41%	32%	49%
2010	32%	42%	46%	54%	50%	60%	71%	66%	55%	51%	41%	33%	50%
2011	36%	45%	47%	58%	56%	65%	79%	75%	65%	61%	49%	43%	56%
2012	41%	53%	54%	60%	61%	76%	83%	79%	62%	60%	52%	43%	60%
2013	43%	51%	59%	63%	60%	74%	82%	80%	66%	63%	57%	44%	62%
2014	44%	53%	55%										
Average	39%	48%	52%	57%	55%	65%	76%	73%	59%	56%	47%	38%	55%

Source: Smith Travel Research, March 2014

Figure 1 City of Santa Cruz Occupancy Percentage and Average Room Rate by Month (2013)



Source: Smith Travel Research 2014; EPS

In recent years, growth in access to overnight visitor accommodation in Santa Cruz has come from online rental sites such as AirBnB and VRBO. These sites and others like them have expanded the overnight accommodation marketplace in Santa Cruz by facilitating the ability of individual households to rent their homes to overnight visitors. The AirBnB and VRBO sites alone currently feature nearly 500 listings,⁴ which range from single rooms to entire homes. In a city

⁴ AirBnB currently features 118 unique listings in the greater Santa Cruz market. VRBO currently features 318.

of roughly 2,200 hotel rooms, these online listings significantly increased the supply of visitor accommodation, especially during the peak seasons (when more listings become available). Rates for online rentals range from \$50 each night to over \$500 for entire homes depending on the nature of the accommodation offered and the season.

The Santa Cruz area also features a number of camping and RV accommodation options. While sought-after campgrounds such as Big Basin often experience full capacity for most of the summer and shoulder seasons, a number of other State, Regional, County and locally-run campgrounds and RV parks are available for visitors to the area. Campgrounds and RV facilities offer low-cost accommodations in a wide range of locations, from the Santa Cruz Harbor RV Park at the mouth of Woods Lagoon to both public and private facilities located along the San Lorenzo River northwest of downtown. In addition, the City subsidizes the operation of the Carmelita Cottages Hostel that is operated by the Santa Cruz Hostel Society. The hostel provides 45 beds (capacity for 16,425 overnight stays in Santa Cruz).

Comparative Central Coast Markets

In comparison to other comparable central coast tourist destinations such as the cities of Monterey, Santa Barbara, and Half Moon Bay,⁵ as well as other areas in Santa Cruz County ("Other Santa Cruz County"),⁶ the City of Santa Cruz overnight accommodation market exhibits lower average daily room rates and lower occupancy rates. As illustrated in **Table 2**, the four comparison markets experience higher occupancy and room rates than the City of Santa Cruz.

⁵ The City of Half Moon Bay does not include the minimum number of hotels required for Smith Travel Research to obtain hotel data without revealing proprietary information. As such, this market data set includes some hotels in the area surrounding Half Moon Bay to create a sufficiently large hotel sample size.

⁶ This category includes cities and unincorporated areas in Santa Cruz County outside of the City of Santa Cruz and excluding Watsonville. The City of Watsonville is excluded due to its different location and role in the regional hotel market.

Table 2 2013 Average Occupancy and Room Rates for Comparable Hotel Markets

City	Room Count (2013)	2013	
		Occ. (%)	ADR
Santa Cruz	2,170	62%	\$131
Monterey	4,664	70%	\$156
Santa Barbara	3,857	73%	\$220
Half Moon Bay ¹	1,052	71%	\$203
Other Santa Cruz County	960	64%	\$150

[1] Data for year 2012
Source: Smith Travel Research

The City of Santa Cruz market is also more sensitive to seasonality, especially when comparing performance during the winter. **Table 3** shows that while all five markets show seasonal variation, the City of Santa Cruz and Other Santa Cruz County markets show the largest percentage differential between peak season and off-peak season average room rates.

Table 3 Comparable Central Coast Market Average Daily Rates by Month (2013)

City	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annal Avg.
Santa Cruz	\$94	\$105	\$109	\$122	\$132	\$151	\$165	\$167	\$138	\$125	\$110	\$104	\$131
Monterey	\$123	\$143	\$128	\$149	\$152	\$152	\$182	\$213	\$166	\$151	\$142	\$128	\$156
Santa Barbara	\$168	\$183	\$197	\$199	\$217	\$234	\$268	\$283	\$227	\$212	\$207	\$197	\$220
Half Moon Bay ¹	\$174	\$179	\$186	\$185	\$195	\$209	\$211	\$220	\$225	\$232	\$198	\$188	\$203
Other Santa Cruz County	\$118	\$117	\$126	\$137	\$145	\$173	\$189	\$190	\$154	\$141	\$132	\$121	\$150

[1] Data for year 2012
Source: Smith Travel Research

As shown in **Table 4**, City of Santa Cruz occupancy rates are not only the lowest among the five sample central coast markets on an annual basis, but they also feature lower occupancy rates in every month of the year in comparison to Monterey, Santa Barbara, and Half Moon Bay. During the shoulder months (May and September) the City of Santa Cruz average occupancy lags behind that of the four comparison markets by the most significant margin.

Table 4 Comparable Central Coast Markets Average Occupancy by Month (2013)

City	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annal Avg.
Santa Cruz	43%	51%	59%	63%	60%	74%	82%	80%	66%	63%	57%	44%	62%
Monterey	50%	59%	66%	73%	71%	82%	88%	89%	81%	73%	62%	49%	70%
Santa Barbara	58%	63%	68%	72%	73%	82%	87%	87%	79%	72%	66%	60%	73%
Half Moon Bay ¹	56%	64%	63%	66%	74%	84%	82%	81%	81%	82%	64%	56%	71%
Other Santa Cruz County	45%	53%	59%	67%	63%	74%	84%	81%	71%	64%	57%	48%	64%

[1] Data for year 2012

Source: Smith Travel Research

A number of factors contribute to the variation in room rates and occupancy rates between these central coast cities including the mix of existing hotel inventory. In comparison to Monterey, Santa Barbara, Half Moon Bay, and Other Santa Cruz County markets, the City of Santa Cruz market features a far higher proportion of lower cost accommodations and, conversely, a far lower proportion of higher cost accommodations. As illustrated in **Table 5**, which summarizes room inventory for these five markets, 42 percent of Monterey's total hotel inventory, 41 percent of Santa Barbara's total hotel inventory, and 49 percent of Half Moon Bay's total hotel inventory are classified as Luxury or Upper Upscale. Luxury and Upper Upscale offerings in Santa Cruz, on the other hand, make up only 25 percent of the total market. Similarly, 26 percent of Other Santa Cruz County total hotel inventory is classified as Luxury in comparison to 9 percent Luxury in the City of Santa Cruz. Furthermore, although more than 40 percent of rooms in Santa Cruz are defined as Economy, less than 20 percent of the rooms in Monterey or Santa Barbara and less than 10 percent of the rooms in Half Moon Bay and Other Santa Cruz County markets fall into this lowest cost category.

Table 5 Comparable Central Coast Market Room Inventory by Hotel Class

Hotel Class	Santa Cruz		Monterey		Santa Barbara		Half Moon Bay ¹		Other Santa Cruz County	
	Rooms	% Total	Rooms	% Total	Rooms	% Total	Rooms	% Total	Rooms	% Total
Luxury	196	9%	592	13%	1,021	26%	416	40%	252	26%
Upper Upscale	345	16%	1,375	29%	589	15%	97	9%	-	0%
Upscale	-	0%	500	11%	681	18%	92	9%	-	0%
Upper Midscale	504	23%	799	17%	449	12%	292	28%	393	41%
Midscale	205	9%	528	11%	552	14%	83	8%	249	26%
Economy	920	42%	870	19%	565	15%	72	7%	66	7%
Total	2,170	100%	4,664	100%	3,857	100%	1,052	100%	960	100%

[1] Data for year 2012

Source: Smith Travel Research

Effects of La Bahia Hotel Development

The proposed La Bahia Hotel is a 165-room full-service, four-star hotel. Proposed amenities include banquet hall, restaurants, and swimming pool, among others. The hotel is expected to operate at the higher end of the Santa Cruz hotel market, adding to the City's inventory of hotel rooms in the upscale/luxury category in a similar market segment to the Santa Cruz Dream Inn. At an average annual occupancy rate of 70 percent, the type of rate often required to support

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new hotel development, an average of about 115 rooms would be occupied each night accommodating about 42,000 overnight room stays annually. The City of Santa Cruz has long identified the economic development value of adding a new higher-end hotel with strong visitor amenities to its inventory of overnight accommodation.⁷ In addition, prior real estate market analyses commissioned by the City of Santa Cruz identified market demand for a full-service, luxury/ upper upscale hotel.⁸

The effects of the La Bahia Hotel development on the availability of lower cost accommodation in Santa Cruz depend on its effect on the demand and supply dynamics in the Santa Cruz accommodation market. Consistent with fundamental economic principles, applicable to real estate and other markets, the impacts of new investments, regulations, and/or other changes can be evaluated through consideration of the combined demand and supply effects. Increases in market demand for overnight accommodation will lead to increases in average room rates and/or occupancy rates, all other things being equal. Increases in the supply of overnight accommodation will lead to decreases in average room rates and/or occupancy rates, all other things being equal.

La Bahia Supply Effects

The new hotel will add 165 rooms to the City's hotel inventory, an overall increase of about 7.5 percent in available rooms in the City of Santa Cruz. In the higher end segment of the Santa Cruz market (luxury, upper upscale, and upper) that currently includes 541 rooms, the La Bahia Hotel will represent a 30 percent increase in supply. This increase in supply will offer additional options for visitors and more competition for existing hotels acting to place downward pressure on average room rates. While the primary new competition will be with the upper segments of the market, the increased availability of rooms at higher price points will see some "move up" accommodation choices, especially in the high season, expanding the availability of supply at the midscale and economy levels. These effects will exert a downward or moderating pressure on room rates.

The price elasticity of supply is the economic metric typically used to indicate the level of reduction in prices (in this case room rates) in response to a supply increase (in this case a 7.5 percent increase in overnight lodging accommodation). There are currently no scientifically determined price elasticities of supply available for reliable application for hotel rooms in the Santa Cruz market area and their calculation is made more complicated by the new influx of private accommodation rentals that form part of the overnight lodging market. As an illustration, however, even at a low price elasticity of supply of 0.2 (a 0.2 percent price reduction for every 1 percent increase in supply), this 165-room supply increase, all other things being equal, would reduce average room rates by 1.5 percent.

⁷ The City of Santa Cruz 2030 General Plan (adopted June 2012) identifies a number of Economic Development goals, policies, and actions, including "Encouraging the development of new lodging facilities, particularly those targeting a higher-end market and those providing additional visitor amenities" and "Attract a top-end, full service hotel to expand and improve year-round conference segment of the tourism market."

⁸ For example, Scott Hospitality Consultants (2008) and PKF Consulting (2010).

La Bahia Demand Effects

As articulated in prior independent reports conducted for the City of Santa Cruz, visitation to Santa Cruz County and the City of Santa Cruz is driven by three primary attractors: the beach, the boardwalk, and the Wharf, though is also complemented by draws associated with its downtown and UC campus. These draws are the primary constituents of demand for overnight visitor accommodations in the City of Santa Cruz and are all notably accessible at no/low cost.

For example, the 2010 *Santa Cruz County Visitor Profile Study* found that 73 percent of all visitors to Santa Cruz County go to the beach, 64 percent visit the Boardwalk and 53 percent visit the Municipal Wharf as illustrated in **Table 6** below.⁹ As shown, visitation numbers vary substantially by season with the summer months attracting the highest visitation including day and overnight visitors. Total visitation estimates are not available, though recent estimates indicate that the Boardwalk alone generates annual visitation of more than 3 million.¹⁰

Table 6 Santa Cruz Visitor Profile Specific Attractions

Attraction / Venue	All Visitors	By Season		
		Spring	Summer	Fall
Beach	73%	69%	83%	66%
Santa Cruz Boardwalk	64%	59%	77%	55%
Santa Cruz Wharf	53%	43%	53%	66%
Downtown Santa Cruz	40%	39%	34%	50%

Sources: Lauren Schlau Consulting; Economic & Planning Systems, Inc.

The La Bahia Hotel will not change these fundamental draws (demand drivers) of visitors, day or overnight, to the City of Santa Cruz. The La Bahia Hotel will, however, offer additional overnight options to repeat visitors to the City of Santa Cruz while also potentially drawing new overnight visitors. Some visitors previously unable to obtain overnight lodging at the current limited supply of full-service, four-star accommodations might be "re-captured" to Santa Cruz, while other new visitors may be attracted by the hotel's amenities, e.g., wedding parties, work retreats. The majority of the potential "net new" demand will be accommodated at the La Bahia Hotel though some event-associated visitors may choose to stay at other hotels in the area or at private accommodations offered through VRBO or AirBnB.

Aggregate La Bahia Effects

The occupancy rates and room rates at different hotels/motels in the Santa Cruz area are a function of a large range of factors, including the primary drivers of demand (Beach, Wharf, Boardwalk, and Downtown), local, State, and global economic conditions, and the nature, amenities, and operations of individual overnight lodging options. The impacts of the overall

⁹ Lauren Schlau Consulting, 2010 Santa Cruz County Visitor Profile Study.

¹⁰ Santa Cruz Seaside Company, 2009

state of the economy tend to dominate shifts in citywide average hotel performance metrics (room rates and occupancy rates) as shown by the improvement in overall performance in the last couple of years. The impact of the development of a new boutique hotel in the City of Santa Cruz will not show clearly in this performance data, though core economic principles indicate that, all other things being equal, the La Bahia Hotel will make average accommodation more affordable in the City of Santa Cruz. In other words, while the appeal and amenities of the hotel will attract some new visitors and support La Bahia Hotel occupancy in the shoulder and off-season as well as the peak season, the overall effect of the new hotel development will be an increase in supply relative to new demand, placing downward or moderating pressure on hotel room rates especially in the peak season.

CALIFORNIA COASTAL COMMISSION

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Important Hearing Procedure Note: This is a substantial issue only hearing. Public testimony will be taken only on the question of whether the appeal raises a substantial issue. Generally, and at the discretion of the Commission's Chair, testimony is limited to 3 minutes total per side. Please plan your testimony accordingly.

Th12a

Appeal Filed: 9/25/2014
49th Day: Waived
Staff: K. Geisler - SC
Staff Report: 11/26/2014
Hearing Date: 12/11/2014

APPEAL STAFF REPORT: SUBSTANTIAL ISSUE DETERMINATION ONLY

Appeal Number: A-3-STC-14-0049

Applicant: La Bahia, LLC

Appellant: The La Bahia Coalition

Local Government: City of Santa Cruz

Local Decision: Coastal development permit application number CP-13-0059 approved by the City of Santa Cruz City Council on September 9, 2014 (following City of Santa Cruz Planning Commission and Historic Preservation Commission approvals on August 7, 2014 and August 13, 2014 respectively).

Project Location: 215 Beach Street, fronting the City of Santa Cruz Main Beach near the upcoast end of the Santa Cruz Beach Boardwalk amusement park in the City of Santa Cruz, Santa Cruz County (APNs 007-214-01 & 007-214-02).

Project Description: Partial demolition of, and new development associated with, the existing historic La Bahia complex to accommodate a 165-room standard operating hotel, including meeting and banquet rooms, restaurant, retail space, day spa, swimming pool, hotel support space, and parking garage at 215 Beach Street fronting Santa Cruz Main Beach, City of Santa Cruz, Santa Cruz County.

Staff Recommendation: No Substantial Issue

SUMMARY OF STAFF RECOMMENDATION

The City of Santa Cruz approved a coastal development permit (CDP) to allow for partial restoration and partial demolition of the existing historic La Bahia complex and development of a new 165-room standard operating hotel along with related hotel facilities and amenities (including a conference and banquet space, restaurant/bar, retail units, spa facilities, swimming pool, and partially underground parking garage) located at 215 Beach Street fronting the City of Santa Cruz Main Beach near the upcoast end of the Santa Cruz Beach Boardwalk amusement park in the City of Santa Cruz, Santa Cruz County.

The Appellant contends that the approved project is inconsistent with the City of Santa Cruz Local Coastal Program (LCP) policies related to the protection of historic resources. After reviewing the local record, Commission staff has concluded that the approved project does not raise a substantial issue with respect to the project's conformance with the City of Santa Cruz LCP.

The City of Santa Cruz LCP contains numerous policies and standards that seek to protect historic resources throughout its portion of the coastal zone, including specifying the procedures and findings by which structures with historic landmark designations, such as La Bahia¹, may be altered and/or demolished. The LCP also includes provisions specific to the La Bahia site. LCP Beach and South of Laurel (BSOL) Land Use Policy 2.16 requires La Bahia to be redeveloped as a visitor serving accommodation use available to the general public, and LCP Implementation Plan (IP) Section 24.10.618 states that at the time when a specific hotel development project is proposed for the La Bahia site, the existing structure's major architectural and historical contributing elements should be preserved and highlighted, taking into account other necessary factors such as structural soundness, building condition, and project cost.

Thus, La Bahia is afforded some protection under the LCP, but the LCP also weighs other factors when determining whether preservation of an historic structure intact is feasible. To be sure the LCP encourages the rehabilitation and restoration of designated historic landmarks, but the LCP does not provide an outright prohibition on the alteration, demolition, or de-designation of historic structures, but instead describes the process and findings that must be made in order to do so. To accomplish this, the findings required in order to alter and/or demolish a designated historic landmark include abatement of unsafe property conditions, demonstration of economic hardship, and, for demolition explicitly, that the demolition is consistent with the purpose of the LCP's historic preservation policies. In this case, the City determined that these criteria were met because: 1) a structural integrity analysis report was prepared that concluded that bringing the existing buildings to an acceptable level of safety would be economically infeasible, and determined that if the project was not approved, the buildings would continue to deteriorate and become increasingly unsafe; 2) an economic analysis of the project, including project alternatives, was prepared that determined preservation of all of the existing La Bahia buildings would be financially infeasible; and 3) the redevelopment of the structure, including through retaining portions of the existing structure's historic bell tower and southeast buildings, as well as the proposed new structure's Spanish Colonial architectural design, is consistent with the purposes of historic preservation because it is done in a way that respects and honors the existing

¹ In 1976, the existing La Bahia structure was listed in the "Santa Cruz City Historic Building Survey" as a City-designated historic site and historic landmark.

structure's architectural and historic integrity.

In terms of architectural design, as is required by the LCP, the City's approval explicitly seeks to retain the historic character of the existing La Bahia structure. This is achieved primarily through required retention and restoration of the primary character-defining element of La Bahia, namely its bell tower and the related structures forming the upcoast corner of the site. These areas will be restored in a similar arrangement as is present today, and will include such Spanish Colonial design elements as stucco walls, terracotta roof tiles, balconies, and ironwork. This restoration will complement the new buildings, which will also utilize white stucco walls, terracotta roof tiles, courtyards, and balconies in order to reflect and mimic the existing site's historicity. The City also required that La Bahia features that aren't going to be retained be formally documented in coordination with a historic preservation architect, with photographs, drawings, written historical overviews, and collection of historical background information presented in a public interpretive display in the hotel. Thus, the approved project retains the existing site's architectural and historic character to the degree possible with a partial demolition, consistent with LCP standards that specify the requirements for demolishing and redeveloping historic structures.

Finally, it is important to note that the LCP also specifically encourages and promotes redevelopment of La Bahia for visitor-serving accommodations and related uses. La Bahia is located in the heart of the City's beach area but it is currently being used exclusively for residential purposes. And although La Bahia is historic and that historicity and design contribute to the character of the area, it is also significantly deteriorated and in dire need of attention. The City's approval would result in a new standard-operating hotel with conference and related facilities designed to accommodate and encourage visitors to the heart of the City's beach area, which promotes LCP objectives in that respect.

In short, the City's approval followed the LCP's process for addressing historic resources, and would result in a project that is allowed by the LCP's historic resource protection policies. It also results in new visitor-serving facilities in a critical location along the City's primary beach-area visitor district as provided for in the LCP. Thus, the Appellant's contentions do not raise a substantial LCP conformance issue, and staff recommends that the Commission decline to take jurisdiction over the CDP for this project. The single motion necessary to implement this recommendation is found on page 5 below.

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APPENDICES

Appendix A – Substantive File Documents

EXHIBITS

Exhibit 1 – Project Site Map

Exhibit 2 – Project Site Photographs and Simulations

Exhibit 3 – City-Approved Project Plans

Exhibit 4 – City of Santa Cruz Final Local Action Notice

Exhibit 5 – Appeal of City of Santa Cruz CDP Decision

Exhibit 6 – Historic Features and Photographs

Exhibit 7 – Applicable City of Santa Cruz LCP Policies and Standards

Exhibit 8 – Correspondence

I. MOTION AND RESOLUTION

Staff recommends that the Commission determine that **no substantial issue** exists with respect to the grounds on which the appeal was filed. To implement this recommendation, staff recommends a **YES** vote on the following motion. Passage of this motion will result in a finding of no substantial issue and the local action will become final and effective. The motion passes only by affirmative vote of a majority of the Commissioners present.

***Motion:** I move that the Commission determine that Appeal Number A-3-STC-14-0049 raises no substantial issue with respect to the grounds on which the appeal has been filed under Section 30603. I recommend a yes vote.*

***Resolution to Find No Substantial Issue.** The Commission finds that Appeal Number A-3-STC-14-0049 does not present a substantial issue with respect to the grounds on which the appeal has been filed under Section 30603 of the Coastal Act regarding consistency with the Certified Local Coastal Plan and/or the public access and recreation policies of the Coastal Act.*

II. FINDINGS AND DECLARATIONS

A. PROJECT LOCATION AND DESCRIPTION

The City-approved project is located at 215 Beach Street in the Beach Hill area of the City of Santa Cruz in Santa Cruz County. The project site is on the landward side of Beach Street, approximately 600 feet east of the Santa Cruz Municipal Wharf and approximately 300 feet west of the Santa Cruz Beach Boardwalk (Boardwalk) amusement park. Immediately across the project site on the seaward side of Beach Street is Main Beach. The project site consists of two parcels totaling approximately 1.4 acres and occupies the entire block bounded by Beach, Main, Westbrook, and First Streets. The parcels are zoned RTC/CZ/SPO (Tourist Residential-Beach Commercial/Coastal Zone/Shoreline Protection Overlay).

Currently, the project site is developed with the 44-unit historic La Bahia Apartments (originally built in 1926 as an apartment complex by the Santa Cruz Seaside Company (Seaside Company), the owner of the adjacent Boardwalk). The La Bahia complex has been used for both short term rental and residential purposes, and is currently entirely used for residential rental housing. The complex consists of six buildings designed in the Spanish Colonial Revival style that total approximately 32,000 square feet within a building footprint of approximately 16,640 square feet. These buildings occupy the entire length of Beach Street between Main and Westbrook Streets.

The City-approved project allows for the construction of a new 165-room standard operating hotel, consisting of the retention and restoration of a portion of the existing bell tower building, demolition of the remaining existing structures, and new construction, all of which will expand the existing structures' footprint. Specifically, the City's approval provides for the existing bell tower, stairs, and adjacent southeastern portion of the existing complex, totaling 2,081 square feet, to be retained, rehabilitated, and incorporated into the new hotel building. The remaining existing structures will be demolished, and replaced with new buildings that will provide for

60,861 square feet of space, allowing for the 165 hotel rooms, as well as hotel amenities, including approximately 4,350 square feet of meeting/banquet/conference space, a restaurant/bar totaling 4,800 square feet, 2,500 square feet of retail space, a 750-square-foot day spa, and a large central outdoor swimming pool area. The planned 165 hotel rooms include three room types that range in size from 425 to 575 square feet.

The new hotel buildings will be between two to four stories with building heights ranging from 32 to 43 feet. Rooftop mechanical equipment and architectural elements will extend up to ten feet above the rooftop heights as permitted by the City's LCP regulations.² Vehicular access for guests of the hotel will be provided by a check-in entrance on Beach Street, an entrance/exit on Westbrook Street, and an exit onto Main Street. Parking, including valet parking, will be provided within an enclosed, partially underground parking garage with a total of 210 parking spaces located near the entrance to the hotel.

In terms of architectural design, the City-approved project includes the rehabilitation, restoration, and structural upgrading of the historic bell tower building and associated stairs at the southeastern corner of the project site. The historic elements of the tower will be repaired, including decorative tile features, the terracotta clay roof, and stucco finishes. The project also includes rehabilitation and conversion of the existing eight southeast apartment units³ along Beach Street into hotel rooms. The exterior walls and primary structural bearing walls of the southeast building and bell tower will be maintained and structurally upgraded with new shear plywood and required seismic upgrades. The exterior finishes (stuccos, terracotta clay tile roof, eave details, balcony, etc.) will be repaired. The exterior wall configuration, fenestration, and entry gates will be maintained and rehabilitated. New painted aluminum windows will be installed within the existing window openings to replace the non-historic windows located in the southeast building. The existing stairs, entry gate, and circulation will be maintained. New bathrooms and building systems (i.e., mechanical, electrical, plumbing, fire protection, etc.) will be installed in the new hotel guestrooms in the southeast wing. There will be three guestrooms at ground level, four guestrooms on the second floor, and one guestroom on the third floor in the historic southeast building.

The remaining existing buildings will be demolished and new buildings constructed. The new buildings maintain La Bahia's existing Spanish Colonial Revival style architecture, through utilizing historic design elements to include white stucco walls with red tile roofs, punched windows, balconies, ornamental glazed tiles, decorative iron work and trellises. Other architectural features include balconies, some bay windows, ornamental glazed tiles, decorative iron work and trellises, and parapet design including curvilinear, decorative metalwork in parapet

² The current maximum allowable building height in the RTC zone district is 36 feet (IP Section 24.10.624 (1)(a)). Architectural elements such as bell towers, spires, turrets, cupolas, chimneys, dormers, flagpoles, etc., may extend ten feet above height limitations subject to design review (i.e., with the approval of a Planned Development Permit, which the City granted for this project). The increase in building height may not exceed one story or 20 per cent of the allowed height (in feet) over and above regulations established in the project's zone district (i.e., Beach Commercial (RTC) in this case). In addition, uninhabitable mechanical penthouses shall be limited to 10% of the roof area and will be permitted with additional 10-foot height allowance provided they are setback at least 20 feet so as not to be visible by pedestrians (IP Section 24.10.624 (2)(e)(2)).

³ The existing southeast apartment units, which will be retained and converted to hotel use, equal approximately 6.5% of the existing La Bahia square footage).

walls along with a cast stone parapet cap. The terra cotta roofs of the new buildings will match the original roof color of the existing La Bahia buildings.

See **Exhibit 1** for a project location map; **Exhibit 2** for photographs of the existing site and surrounding area, as well as photo-simulations of the City-approved hotel and amenities; and **Exhibit 3** for the City-approved project plans.

B. LA BAHIA BACKGROUND

The La Bahia building was originally designed by William C. Hays, an architect of statewide stature, who designed many structures in northern California communities. La Bahia was originally constructed in 1926 (then called the Casa Del Rey Apartments) by the Seaside Company, still the current owner.⁴ Shortly after construction, La Bahia was used by long-term guests of the Seaside Company and the Coast Counties Gas and Oil Company. Most recently, La Bahia has been used as short-term apartments for University of California at Santa Cruz students during the school year and as seasonal housing for Boardwalk employees during the summer.

La Bahia is a City-designated historic site and historic landmark. In 1976, the “Santa Cruz City Historic Building Survey” included La Bahia and gave it an “excellent” rating. Subsequently, the City designated La Bahia as a historic landmark, the highest designation awarded by the City for historic buildings. As previously indicated, the structures are designed in the Spanish Colonial Revival style of architecture. La Bahia has a rectangular plan that consists of six structures that are interconnected in places and create an L-shaped complex. The buildings are primarily two stories with the exception of the bell tower wing near Beach Street, which is three stories high. The exterior walls are covered with white textured stucco and painted white, and the roof is multi-level and covered with red Spanish tiles and rolled roofing at various sections. The roof is in a variety of styles, including gabled, hipped, flat, and shed styles. The bell tower is located on the eastern part of the facade of the building that faces Beach Street. The bell tower is square with four round-arch openings flanked by classical pilasters and the tower’s roof has a dome with patterned, colorful tiles. See photos of La Bahia in **Exhibit 6: Historic Features and Photographs** (pages 1 and 5 show the tower).

La Bahia also contains two courtyards that are an integral design element of the apartment complex. The “Court of the Laurels” is prominent and features a stylized stairway entrance, a central grass lawn, a fountain at the north wall, flowering trees, shrubbery, and small flowerbeds. The “Court of the Mariners” is less formal with an asymmetrical design and a water pond with lilies. Additional features such as stairways, arched entryways, balconies, a bridge ramp, as well as the scale, massing, character, and detail of the surrounding La Bahia buildings add to the significance and character of the courtyards. The site design and buildings’ features with their varied levels, courtyards, balconies, and shapes have been described as evoking the feeling and appearance of a rural Andalusian village that has developed over many years.⁵

⁴ While the Seaside Company, through La Bahia, LLC, owns the La Bahia site, the Seaside Company has an Employment Agreement with French Resources Group, Inc. to put together a design team to create a design for redeveloping the La Bahia site as a hotel and submit the project for City approval; thus the French Resources Group is the Applicant’s representative for the project.

⁵ Hill, W., *Historic Architecture Assessment – Beach Area/South of Laurel Street Master Plan in the City of Santa Cruz within Santa Cruz County, California*, April 1996.

Since the early 1990s, the City of Santa Cruz has been interested in intensifying tourist-oriented development that promotes year-round activities in the beach area. In 1998 the City adopted the Beach and South of Laurel Comprehensive Area Plan (BSOL Area Plan) and parts of it were certified as a component of the LCP in 2002 (LCP amendment STC-MAJ-1-01 Part B, certified June 13, 2002).⁶ La Bahia is located within the south-central portion of the BSOL Area Plan's boundaries. Existing development within the BSOL Area Plan's boundaries is characterized by a variety of visitor-serving and residential uses. The BSOL Area Plan envisioned the La Bahia parcels as a site for a major conference facility, and two possible development scenarios were considered under the Plan: Alternative 1 would provide for a project of approximately 300 rooms on the La Bahia site as well as extending offsite to encompass adjacent Westbrook Street (which would be abandoned by the City) and the adjacent Seaside Lodge, and Alternative 2 would provide for a project of approximately 120-200 rooms on just the existing La Bahia site.

During the BSOL Area Plan process, the City hired an historic preservation firm, Architectural Resources Group (ARG), to identify the La Bahia's primary architectural elements that would need to be incorporated into a major conference facility on the site.⁷ The resulting architectural analysis found that the major contributing elements of architectural importance included the buildings' location primarily along Beach Street, the courtyards, the building elevations surrounding the courtyards, and the passages into the courts, as well as the scale, massing, character-defining details of all of the buildings. This analysis also found that the "Court of the Laurels" was a major contributing element to the character and significance of the La Bahia complex and should be maintained, and that the "Court of the Mariners" was nearly as significant as the "Court of the Laurels," but could possibly be modified or replicated without destroying the character of the entire complex.

The final BSOL Area Plan prescription for La Bahia was to develop the site as a 250-275 room hotel and conference facility that would retain the architectural "character-defining elements" of the existing La Bahia that were identified in the City's architectural analysis. However, as indicated above, the certified LCP BSOL Area Plan policies provided area-wide guidance, but did not ultimately include any explicit guidance regarding future development on the La Bahia site itself.⁸ At the time the BSOL Area Plan LCP amendment was submitted to the Commission, though, there was a proposal to redevelop and renovate La Bahia as a condominium hotel. The Commission's 2002 LCP amendment approval, therefore, added the specific policy language of LUP Policy 2.16 (see **Exhibit 7**), requiring any such condominium hotel renovation project to limit owner use of the individual condominium hotel rooms to no more than 45 days per year. In

⁶ The City did not submit the entire BSOL Area Plan document for certification but instead submitted a series of policies meant to generally characterize the main goals and objectives of the BSOL Area Plan. As such, it is only the excerpted components of the BSOL Area Plan that are part of the City's certified LCP, and not the document itself. Thus, while the BSOL Area Plan document can provide relevant guidance on the excerpted policies, it is not part of the LCP and cannot be used as the basis for planning and regulation.

⁷ *La Bahia Apartments, Santa Cruz, California*, "Architectural and Developmental Analysis & Recommendations for New Development" (April 6, 1998), prepared by Architectural Resources Group. This study was part of a larger report titled "City of Santa Cruz Design Analysis" (September 1997).

⁸ As discussed subsequently, the LCP Implementation Plan (IP) includes a section referencing the BSOL Area Plan CEQA document. Section 24.10.618 regarding the purpose of the R-T(C) (Beach Commercial) zoning district was amended to state: "It is the intent of this zoning that preservation of La Bahia be conducted in accordance with the measures described in the certified final Environmental Impact Report for the Beach and South of Laurel Comprehensive Area Plan."

this case, the City-approved project is a hotel only, without a condominium component.

In 2003, the City approved a CDP (CP 02-066) to renovate most of the existing historic La Bahia buildings while providing for demolition of one existing building and partial demolition of another building and allow for conversion to a 118-room condominium hotel. The 2003 project included an underground parking garage (144 spaces) and hotel amenities such as a day spa, approximately 3,000 square feet of meeting space, and a swimming pool. The City's approval of this project in 2003 was based on the current LCP and did not require any changes to the LCP's site standards for the project site. The 2003 project approval was not appealed to the Commission. Following this 2003 approval, the project Applicant decided not to pursue this permitted project and allowed the CDP to expire.

In 2011, a new proposal for redevelopment of the La Bahia site was developed.⁹ The proposed project included demolition of all of the existing La Bahia buildings¹⁰ and redevelopment of the site with a 125-room condominium hotel with a maximum height of 61 feet for main structures (and 71 feet for certain architectural elements), an onsite parking garage, meeting room space, a bar and a restaurant, a day spa, and a swimming pool. To accommodate the 2011 project, the City proposed to amend the LCP to clearly provide for the potential demolition of La Bahia, and to create a new IP zoning district and associated site standards that would have applied specifically to the La Bahia site to allow for additional height on the site, among other things. The City had also given the proposed project a conceptual CDP approval, but any final City action on the CDP for the project was pending Commission action on the LCP amendment first. However, when this project came before the Commission at the August 2011 hearing, the Commission denied the LCP amendment based primarily on mass and scale, but also on historic and community character issues. That project did not move forward.

C. CITY OF SANTA CRUZ CDP APPROVAL

On August 7, 2014 the City of Santa Cruz Planning Commission held a public hearing for the project and recommended project approval to the City Council. On August 13, 2014 the Historic Preservation Commission also held a public hearing and recommended approval of a Historic Demolition Permit, a Historic Alteration Permit and a Historic Building Survey Deletion. On September 9, 2014 the City Council approved a CDP for the project.

The City's Final Local Action Notice was received in the Coastal Commission's Central Coast District Office on Thursday, September 11, 2014. The Coastal Commission's ten-working day appeal period for this action began on Friday, September 12, 2014 and concluded at 5pm on Thursday, September 25, 2014. One valid appeal (see details below) was received during the appeal period. See **Exhibit 4** for the City's Final Local Action Notice.

⁹ The project applicant at that time, Barry Swenson Builder in coordination with the Santa Cruz Seaside Company, was also the applicant for the City-approved 2003 project.

¹⁰ The La Bahia's historic bell tower was to be removed from the existing building, restored, and reinstalled in the new development. If it were not feasible to preserve and reuse the bell tower in this way due to its dilapidated condition, the bell tower would have been reconstructed in-kind.

D. APPEAL PROCEDURES

Coastal Act Section 30603 provides for the appeal to the Coastal Commission of certain CDP decisions in jurisdictions with certified LCPs. The following categories of local CDP decisions are appealable: (a) approval of CDPs for development that is located (1) between the sea and the first public road paralleling the sea or within 300 feet of the inland extent of any beach or of the mean high tide line of the sea where there is no beach, whichever is the greater distance, (2) on tidelands, submerged lands, public trust lands, within 100 feet of any wetland, estuary, or stream, or within 300 feet of the top of the seaward face of any coastal bluff, and (3) in a sensitive coastal resource area; or (b) for counties, approval of CDPs for development that is not designated as the principal permitted use under the LCP. In addition, any local action (approval or denial) on a CDP for a major public works project (including a publicly financed recreational facility and/or a special district development) or an energy facility is appealable to the Commission. This project is appealable because it is located within 300 feet of the beach.

In this case, the appeal zone extends 300 feet landward of the inland extent of the beach. Project components that are located more than 300 feet from the beach are not located in the appeal zone, and therefore cannot be evaluated during the substantial issue determination process. However, the vast majority of the project is located within 300 feet of the beach and is thus in the appeal zone. Only a very small portion of the buildings along First Street near the corner of Main Street are outside of the appeal zone (i.e., the vast majority of these buildings are in the appeal zone and will be evaluated under the substantial determination process). However, if the Commission finds that the approved project raises a substantial issue of conformance with the City's LCP, the entire project (both in and out of the appeal zone) would be considered during the process of de novo review.

The grounds for appeal under Section 30603 are limited to allegations that the development does not conform to the certified LCP or to the public access policies of the Coastal Act. Section 30625(b) of the Coastal Act requires the Commission to consider a CDP for an appealed project de novo unless a majority of the Commission finds that "no substantial issue" is raised by such allegations.¹¹ Under Section 30604(b), if the Commission conducts the de novo portion of an appeal hearing and ultimately approves a CDP for a project, the Commission must find that the proposed development is in conformity with the certified LCP. If a CDP is approved for a project that is located between the nearest public road and the sea or the shoreline of any body of water located within the coastal zone, Section 30604(c) also requires an additional specific finding that the development is in conformity with the public access and recreation policies of Chapter 3 of the Coastal Act. This project is not located between the nearest public road and the sea and thus this additional finding would not need to be made if the Commission were to approve the project following the de novo portion of the hearing.

¹¹ The term "substantial issue" is not defined in the Coastal Act or in its implementing regulations. In previous decisions on appeals, the Commission has generally been guided by the following factors in making substantial issue determinations: the degree of factual and legal support for the local government's decision; the extent and scope of the development as approved or denied by the local government; the significance of the coastal resources affected by the decision; the precedential value of the local government's decision for future interpretations of its LCP; and, whether the appeal raises only local issues as opposed to those of regional or statewide significance. Even when the Commission chooses not to hear an appeal, appellants nevertheless may obtain judicial review of a local government's CDP decision by filing a petition for a writ of mandate pursuant to the Code of Civil Procedure, Section 1094.5.

The only persons qualified to testify before the Commission on the substantial issue question are the Applicant, persons who made their views known before the local government (or their representatives), and the local government. Testimony from other persons regarding substantial issue must be submitted in writing. Any person may testify during the de novo CDP determination stage of an appeal.

E. SUMMARY OF APPEAL CONTENTIONS

The Appellant contends that the City-approved project raises LCP consistency questions relating to historic resources. Specifically, the Appellant contends that the approved project would violate applicable LCP policies because: 1) the project was approved contrary to zoning requirements and protections for the La Bahia landmark; 2) the demolition will result in a substantial adverse change in the significance of an historical resource; 3) the project is inconsistent with LCP Policy 2.1 that requires protection, restoration and rehabilitation of historic and architecturally-significant landmarks; and 4) the project does not meet IP standards and required preservation measures for the historical and character defining features of the existing La Bahia. See **Exhibit 5** for the full appeal contentions.

F. SUBSTANTIAL ISSUE DETERMINATION

Applicable LCP Policies

The City of Santa Cruz LCP contains numerous policies that seek to protect historic resources throughout the coastal zone (see **Exhibit 7**). Land Use Plan Cultural Resources Element (CR) Policy 2.1 seeks to protect and encourage restoration and rehabilitation of historic and architecturally significant buildings and landmarks, while CR Policy 2.3.2 requires the identification and protection of historic resources affected by proposed development and requires projects to be designed to protect the quality of historic resources. LCP Community Design (CD) Policy 3.5 requires that new or renovated development shall add to City-identified landmarks, historical areas and buildings, and established architectural character worthy of preservation. Finally, CR Policy 2.3 ensures there are review procedures to recognize and protect these resources.

The Implementation Plan (IP) implements the aforementioned LUP policies via three sections: Historic Alteration Permit (IP Sections 24.08.900 through 24.08.940), Historic Demolition Permit (IP Sections 24.08.1000 through 24.08.1040), and Historic Landmark Designation/Deletion (IP Section 24.12.420). These sections specify the procedures and findings by which structures with historic landmark designations, such as La Bahia, may be altered and/or demolished, and the way in which structures can be designated and undesignated as historic.

The Historic Alteration Permit policies ensure that any new construction and alterations will retain the integrity of the City's historic landmarks, buildings, sites and districts. Findings required for permit issuance include consistency with the purposes of historic preservation as set forth in IP Section 24.12.400¹² and the LUP's Cultural Resources policies, as previously

¹² IP Section 24.12.400 describes the stated purpose of historic preservation, including to preserve and protect historic structures that contribute to cultural benefit, to foster civic pride in the beauty and accomplishments of the past, to protect the city's cultural heritage, and to encourage continued private ownership and use of such structures, among others.

described. The project must also comply with one of following three additional standards: 1) compliance with the United States Secretary of the Interior Standards for Rehabilitation, including that the project's architectural design, height and bulk, lot coverage and orientation of buildings, color and texture of surface materials, and changes to natural features protect and preserve the historic and architectural qualities; or 2) the Applicant must demonstrate that the action is necessary to correct an unsafe or dangerous condition on the property; or 3) denial of the application will result in immediate and substantial economic hardship that denies the Applicant the ability to make use of the property or obtain a reasonable return from the property.

The Historic Demolition Permit policies require that demolition of any historic building may be approved only if there is an approval for a replacement project. Findings required for permit issuance include one of the following: 1) consistency with the purposes of historic preservation set forth in IP Section 24.12.400 and the LUP's CR policies; or 2) the proposed action corrects an unsafe or dangerous condition on the property; or 3) the applicant has demonstrated that denial of the application will result in immediate and substantial economic hardship; or 4) there are no reasonable alternatives to demolition at the time of the hearing.

Finally, IP Section 24.12.420 describes the process for designating and deleting structures' historic landmark status. In order to delete landmark status, the city's Historic Preservation Commission and City Council must find that the landmark no longer has significant aesthetic, cultural, architectural, or engineering interest or value of an historical nature, and that the deletion is consistent with the purpose and criteria of historic preservation set forth in Section 24.12.400 and in the Cultural Resources Element.

While the above cited policies and standards describe the general requirements for historic preservation that apply coastal zone-wide, the LCP also includes provisions specific to the La Bahia site. Beach and South of Laurel (BSOL) Land Use Policy 2.16 requires La Bahia to be redeveloped as a visitor serving accommodation use available to the general public, and IP Section 24.10.618 states that it is the intent of the Tourist Residential-Beach Commercial (RTC) zoning district that preservation of La Bahia be conducted in accordance with the measures described in the certified final Environmental Impact Report (EIR) for the Beach and South of Laurel Comprehensive Area Plan. The BSOL EIR states if any development project follows the recommendations contained in the Architectural Resources Group (ARG) report entitled *La Bahia Apartments, Santa Cruz, California – Architectural Analysis and Recommendations for New Development, April 6, 1998*, then there will be a less than significant impact on the historic character of the existing La Bahia complex. The ARG report is divided into two major sections. The first section establishes the architectural significance of the complex and the second describes recommendations for a new hotel development on the site. Based on the ARG report's analysis, it was determined that maintaining the major contributing elements of the existing La Bahia building would reduce the level of impacts that expansion and redevelopment of the buildings would have on the City's historic resources. Therefore, those major contributing elements should be preserved and highlighted, taking into account potential issues such as structural soundness, building condition, and project cost. These features are outlined in the ARG report¹³ (see **Exhibit 6** showing Historical Features and Photographs of the existing site and historical features).

¹³ According to the ARG report, La Bahia has many architectural features and significant elements that can be used as design features to help create a new hotel development that is both vital and has its own sense of design and

The BSOL EIR further states that once the hotel development project plans are completed, City planning staff, a representative of the Historic Landmarks Commission, and a historic preservation consultant are required to prepare an analysis of the project's conformance with the ARG's recommendations aimed to reduce the project's impacts. Prior to any alteration of La Bahia, documentation of the historic buildings and their important contributory elements shall be documented according to the level of detail required by the Secretary of the Interior's Standard I for Historic American Building Survey (HABS) documentation, including the following: 1) documentation to show what is significant and valuable about the historic building, site or object; 2) a full set of measured drawings showing existing or historic conditions; 3) photographs of exterior and interior views and photocopies of existing drawings and historic views; and 4) written history and description. Finally, in the event that that proposed hotel development must alter or demolish La Bahia's historic resources, the BSOL EIR requires the project to incorporate part of the historic building into the project design or salvage significant features of the building during project design. Thus, demolition is allowed to proceed only after any significant historic features or materials have been identified and kept by the owner or offered for salvage. Salvage opportunities are to be considered in the following order: 1) on site re-use opportunities; 2) off-site re-use opportunities; and 3) public display opportunities.

See **Exhibit 7** for the LCP's applicable historic resources protection policies.

City Approved-Project

As previously discussed above, the City-approved project allows for the demolition of the majority of the existing La Bahia complex and new and expanded structural development in its place, but also requires the retention of the southeast wing building and bell tower. City approval also requires that these components be rehabilitated and incorporated into the new 165-room hotel, which includes a conference facility, spa, outdoor swimming pool, restaurant/bar, retail outlets and on-site parking. See project description section above, and see **Exhibit 3** for the City-approved project plans.

Appeal Contentions

The Appellant cites inconsistency with LCP policies regarding protection of historic resources and its specific policies pertaining to the preservation of La Bahia. The Appellant contends that

character while remaining compatible with the existing La Bahia structure. The report states that new construction on the site should respect the overall character and architectural elements of the existing structures. Features to be considered in this regard include the scale and massing; roofs; colors, exterior openings; setbacks, balconies and recesses; exterior wall finishes; other exterior materials; courtyards; and passageways. The existing buildings were designed with overall massing, configurations and volumes that include village style settings; offsets and overhangs; varying roof heights; courtyards; and a tower and cupola. The Spanish Colonial style and detailing include the following features: red tile terracotta roofs; white stucco walls and balconies throughout with wood and metal railings; tower and cupola; fountain in courtyard; plaster ornamentation; tile and grille work; Patio de Los Mirtosi wall in courtyard. The height of the La Bahia tower anchors the complex and overall massing is reduced by breaking up the complex into many different blocks each with different roof forms. The projection of the balconies reduces the scale of the walls and contributes to the scale of the courtyards. The courtyards have the following features: arched plaster openings and passageway access to the courtyards; allow for entrances to individual units; connect open air hallways and stairways; building walls; and landscaping and ornamentation.

the approved project will demolish most of the existing structures that make up the La Bahia complex, resulting in a substantial adverse change in the significance of an historical resource. The Appellant contends that the approved project's demolition is inconsistent with Land Use Plan Cultural Resources Element Policy 2.1, which requires the protection, restoration and rehabilitation of historic and architecturally-significant landmarks. The Appellant also contends that the approved project is inconsistent with IP Section 24.10.618, which states that development of the La Bahia site is to be carried out in accordance with the preservation measures described in the BSOL EIR. See **Exhibit 5** for the full text of the appeal contentions.

Analysis

Cultural Resources Policy 2.1

The Appellant cites inconsistency with LUP Cultural Resources Policy 2.1. This policy offers a general statement that it is the City's goal to restore, rehabilitate, and protect historic buildings and landmarks. However, as previously discussed, the LCP also includes a series of policies that define the process by which such historic preservation is to be carried out. For example, CR Policy 2.3.2 requires the identification of historic resources, and CR Policy 2.3 requires the promulgation of procedures such that historic resources are effectively recognized, preserved, and restored. Thus, the Land Use Plan sets forth a framework defining the overall City goal of protecting and restoring its historic landmarks, but then states that the detailed provisions necessary to achieve that goal are to be listed in City procedures. These procedures are then specified in the aforementioned Implementation Plan provisions that address historic preservation.

First, IP Section 24.12.420 describes the process the City must undertake to designate (or undesignate) as a historic landmark structures having special aesthetic, cultural, architectural, or engineering interest or value of an historical nature. Thus, this IP section implements CR Policy 2.3.2's requirement that the City identify historic landmarks, stating that each proposal is to be considered by the Historic Preservation Commission and City Council at a public hearing, subject to specific findings (including those described previously – see also **Exhibit 7**). Once those structures are identified, the LUP's requirements to define the procedures on how to effectively preserve those identified landmarks are implemented in IP Sections 24.08.900 and 24.08.1000. IP Section 24.08.900 requires a Historic Alteration Permit for any alteration, construction, or relocation that will result in a material change in exterior appearance for any historic building, and Section 24.08.1000 requires a Historic Demolition Permit for any work that proposes to demolish a building listed on the Santa Cruz Historic Building Survey. Both permits are subject to the strict findings described above and listed in **Exhibit 7**.

Thus, the LCP includes a series of provisions meant to implement CR 2.1's broad policy goal of protecting, restoring, and rehabilitating the City's historic buildings. These provisions, which are described in depth in the IP, even allow for demolition of historic structures when specific findings are made, including demonstration of economic hardship, abatement of unsafe property conditions, or that the demolition is consistent with the purpose of historic preservation as stated in the Cultural Resources Element of the Land Use Plan. Additionally, the IP also describes the process by which structures currently designated as a historic landmark can be removed from such distinction. Therefore, the LCP does not provide an outright prohibition on the alteration, demolition, or de-designation of historic structures, but instead describes the process and findings that must be made in order to do so.

In its approval of the proposed project, the City approved the above-listed Historic Alteration Permit, Historic Demolition Permit, and Historic Landmark Deletion. According to the City's findings, while the approved project includes the retention and rehabilitation of the existing historic bell tower and associated southeast building, construction of the new hotel will require the demolition of most of the existing La Bahia buildings and courtyards, resulting in historic resource impacts. The City's findings for allowing such alteration and demolition state that the Applicant has demonstrated the project is necessary to correct an unsafe or dangerous condition on the property, as allowed by IP Sections 24.08.930 and 24.08.1014. Currently, the existing La Bahia buildings are deteriorating and have cracked plaster, damage to much of the original metalwork and light fixtures and loss of some of the character-defining wooden doors and windows. According to a report conducted to evaluate the structural deficiencies of the existing buildings,¹⁴ portions of the complex, including an elevated walkway in the southwestern quadrant, have failed due to deterioration and age over the years, suggesting that the buildings are unsafe. Further, the existing buildings do not meet current building code standards for safety. The report's findings state that the roof and floor sheathing do not have adequate diaphragm strength. The concrete foundations lack reinforcement, which means they would be prone to cracking, crumbling, and failure in a seismic event. These foundations also do not provide adequate safety because of the liquefaction potential of the La Bahia site's soil. Correcting all of these safety issues, including compliance with required Americans with Disabilities Act (ADA) standards, while strictly preserving the existing structure's original design elements would be technically difficult and costly. Therefore, the City's findings concluded that it would be technically infeasible to bring the existing buildings to an acceptable level of safety and determined that if the project was not approved, the buildings would continue to deteriorate and become increasingly unsafe. This conclusion seems reasonable given the facts of this particular case. Therefore, in order to address La Bahia's structural deficiencies, much of the structure must be demolished and rebuilt. The City thus found that demolition was necessary to correct an unsafe or dangerous building condition.

Furthermore, an economic analysis of the project, including project alternatives, was prepared for the City that also determined that preservation of all of the existing La Bahia buildings would be financially infeasible and result in substantial economic hardship, the criteria referenced by IP Sections 24.08.930 and 24.08.1014 for historic alteration and demolition permits. Economic and Planning Systems, Inc. (EPS) completed the study entitled "La Bahia Hotel Proposed Project and EIR Alternatives Feasibility Analysis" (dated July 18, 2014). The financial feasibility analysis evaluated four project proposals: 1) the proposed (and ultimately City-approved) project; 2) the Full Preservation Alternative; 3) the Partial Preservation Alternative; and 4) the Reduced Height and Size Alternative. The analysis included the cost and revenue assumptions and the estimated rates of return related to each of the four project options. In the analysis, each of the three alternatives to the City-approved project resulted in lower rates of return.¹⁵ The findings for the Full and Partial Preservation Alternatives also determined that the cost of these alternatives on a

¹⁴ Biggs Cardosa Associates, an independent consulting firm under contract with the City, reviewed the existing buildings and evaluated their structural deficiencies for this project development.

¹⁵ The rate of return was 10.2% for the City-approved project, 7.3% for the Partial Preservation Alternative, 6.6% for the Full Preservation Alternative, and 7.1% for the Reduced Height and Size Alternative.

per square-foot basis significantly exceeded that associated with the City-approved project.¹⁶ In addition, these two project alternatives would result in a decreased number of rooms (125 and 140 rooms, respectively), and would provide fewer of the amenities expected to support room rates, resulting in less revenue. The Reduced Height and Size Alternative would have the same rehabilitation cost as the approved project because it is primarily new construction and would have similar amenities, but would result in fewer rooms (116) due to its smaller scale. It would also therefore result in a reduced rate of return (i.e., 7.1% compared to 10.2% for the City-approved project).

In short, the EPS report assessed the economic feasibility of the City-approved project and alternatives by identifying the rates of return for each scenario. These rates of return were then compared to feasible project rates based on research conducted with hotel developers and investors, prior EPS hotel analyses and a review of the analyses of full-service hotels by other economists. The EPS report explains that a hotel project that offers a return of less than 10 percent will not attract prudent investors and thus is not economically feasible. The rate of return for the City-approved project was forecast to be 10.2%, while rate of return for the other alternatives range from 6.6% to 7.3%. The report concluded that a prudent investor would not go forward with the alternatives given their costs and returns compared with those of the City-approved project. This conclusion seems reasonable given the facts of this particular case. Therefore, the City determined that denial of the proposed project would result in substantial economic hardship and made the requisite findings in order to issue the Historic Demolition Permit.

In order to issue the Historic Alteration Permit, in addition to the above described findings regarding economic infeasibility and dangerous condition abatement, the City also needed to find that the project is consistent with the purposes of historic preservation as set forth in Section 24.12.400 and the Cultural Resources Element. The City found that even though a large portion of the existing structure would be demolished, its redevelopment would be undertaken in a manner that mirrors its existing architectural design and details, thereby ensuring consistency with the LCP's stated goal of redeveloping structures in a way that honors and preserves the City's cultural heritage and established architectural character. The City's findings determined that the bell tower element, existing stairs, exterior walls and configuration as well as the entry gates and fenestration would be retained and rehabilitated. The exterior finishes such as the stucco walls, terracotta tile roof, eave details, and balcony would be repaired. In addition to the treatments for the bell tower, the historic review conducted by ARG for this project found that the new construction incorporates several design elements that reference the massing, scale, and materials of the bell tower and southeast portion of the buildings, thereby reducing the project's impacts on historical resources. The project's new construction is kept visually separate from the bell tower and southeast building. The City-approved project employs materials and details including punched out windows, stucco walls, balconies, trellises and decorative tile that are compatible with the bell tower and southeast apartment units and representative of the Spanish Colonial Revival style, all features as described and identified in the ARG 1998 report. During the design phase, project changes were made to address issues related to massing of the new development and to reduce impacts of the new building features on the retained bell tower and

¹⁶ The cost of rehabilitation was found to be \$400 per square-foot for the Full Preservation Alternative and \$420 per square-foot for the Partial Preservation Alternative, compared to \$258.50 for the City-approved project.

apartments. The design was modified to reduce the prominence and appearance of massing of the building's third story and included increasing the third story setback.

The City-approved project strives to emulate many of the design details from the existing La Bahia buildings. The approved building design is consistent with the BSOL design guidelines which calls for Spanish Colonial Style buildings in this area. The design includes the architecture of the new portions of the bell tower building and the architecture of the new portions of the hotel that incorporates white stucco walls with red tile roofs and includes many of the design details from the existing La Bahia buildings, such as interior courtyards, balconies, ceramic glazed tiles, decorative ironwork, and bay windows (see **Exhibit 2: Project Photos**, **Exhibit 3: Project Plans** and **Exhibit 6: Historical Features**). Therefore, the City-approved project retains many of the character defining features of La Bahia and emulates its existing design aesthetic, keeping with the site's character. While much of the existing structure will be demolished, the City made the requisite findings under the LCP to allow it in this case, and has incorporated measures, including retention/restoration of the bell tower and related building, to address the LCP's historic resource requirements.

Finally, with regards to the Historic Landmark Deletion, the City's analysis found that the proposed project would result in the loss of historic landmark status, but that the proposed project was in keeping with the purpose of the LCP's historic preservation goals, including through the previously discussed preservation of the historic La Bahia bell tower and southeast buildings, as well as the new structures' proposed architectural aesthetic. As such, the proposed project is intended to perpetuate the City's cultural heritage; and stabilize and improve the economic value of historic structures. The City thus made the requisite findings to remove La Bahia's historic landmark designation status.

In conclusion, the Appellant cites the project's inconsistency with CR Policy 2.1, but cites this policy in isolation from other LCP requirements that implement said policy. The LCP includes a suite of policies that define the allowable improvements and alterations on historic structures, and specifically allows demolition when certain findings are made. As discussed above, the City made the requisite findings for the project, including that demolition is necessary to correct an unsafe building condition, and that the proposed new development is designed in a manner that honors and respects the existing structure's architectural and historical integrity. Therefore, the approved project does not raise a substantial LCP conformance issue in this regard.

Implementation Plan Section 24.10.618

Next, the Appellant cites inconsistency with Implementation Plan Section 24.10.618, which provides specific direction on how to preserve the La Bahia site. This section states that development of the La Bahia site is to be carried out in accordance with the preservation measures described in the Beach and South of Laurel Comprehensive Area Plan (BSOL) EIR. The BSOL EIR requires development at the La Bahia site to follow the recommendations contained in the ARG report described above, which itself states that development at La Bahia should preserve the structure's character-defining features after taking into consideration other requirements such as structural upgrades and development cost. Furthermore, the BSOL EIR states that in the event that any portion of the La Bahia is demolished, the Applicant must conduct the project in consultation with an historic preservation architect and preserve the La Bahia apartment complex and its setting through documentation.

In essence, the BSOL EIR envisions the possibility that future rehabilitation and reuse of the La Bahia site may necessitate its demolition, and offers a series of requirements that must be met in order to do so. The City's approval includes demolition of the majority of the La Bahia buildings but retains many of its architectural character defining features, including its Spanish Colonial design, the bell tower, the existing southeast buildings, and retains many of the same character defining features, consistent with LCP requirements in that respect. However, the project will result in demolition of most of the existing La Bahia structures due to the dilapidated condition of the structures and foundations, as well as the electrical, plumbing, and other utility systems. Therefore, the City's project approval required mitigation measures for preservation of the site, including the required salvage and documentation of existing historical features (**Exhibit 6** for photographs of historical features and elements, pages 1-4), as detailed below:

- Documentation of La Bahia through photographs, drawings, written historical overview, collection of historical background information and creation of a public interpretive display in the hotel.
- Potentially salvage historical materials prior to demolition and any salvaged historical building features or elements not used as part of the project or kept by the owner for reuse in other locations will be offered to others for reuse.
- Install protective barriers to protect the bell tower and the north and east walls of the retained La Bahia apartments from potential damage caused by demolition activities.

The IP requires redevelopment of the La Bahia site to be carried out in a manner consistent with the recommendations specified in the ARG report and the BSOL EIR. While this report describes the major elements that contribute to the historic character of La Bahia, and states that protection of those elements will reduce impacts to the structure's historicity, the BSOL EIR also specifically acknowledges that demolition of the structure may be necessary in order to effectively implement other LCP policies specific to the site, including those that call for this site to be redeveloped into a visitor-serving hotel facility. The ARG report also specifically acknowledges that strict preservation may not be feasible when issues such as structural deficiencies, building condition, and cost are considered. In the event that demolition is determined to be necessary, the BSOL EIR lists the necessary requirements, including preservation of the historical resources through documentation including photographs and a written historical background. The City's conditions of approval include such historical documentation. Thus, when taken together, IP Section 24.10.618 does not preclude significantly altering or demolishing La Bahia, but instead describes the structure's major historic features, states that protecting them is a high priority, and lists what is to be done when strict preservation is not feasible. The City-approved project allows for the construction of a new hotel in the Spanish Colonial style in order to preserve La Bahia's historic legacy, while also rehabilitating and restoring the southeast building and bell tower, consistent with the IP's requirements. Therefore, the City-approved project does not raise a substantial LCP conformance issue in this regard.

G. CONCLUSION

When considering a project that has been appealed to it, the Commission must first determine whether the project raises a substantial issue of LCP conformity, such that the Commission

should assert jurisdiction over a de novo CDP for such development. At this stage, the Commission has the discretion to find that the project does not raise a substantial issue of LCP conformance. As explained above, the Commission is guided in its decision of whether the issues raised in a given case are “substantial” by the following five factors: the degree of factual and legal support for the local government’s decision; the extent and scope of the development as approved or denied by the City; the significance of the coastal resources affected by the decision; the precedential value of the City’s decision for future interpretations of its LCP; and, whether the appeal raises only local issues as opposed to those of regional or statewide significance.

In this case, these five factors, considered together, support a conclusion that this project does not raise a substantial issue of LCP conformance. In terms of the degree of factual and legal support for the local government’s decision, the City made all requisite LCP findings, including that demolishing part of the La Bahia site will abate unsafe property conditions, that denial of the project will result in economic hardship, and that the demolition is consistent with the purpose of the LCP’s historic preservation policies. The City determined that these criteria were met because 1) a structural integrity analysis report was prepared that concluded that bringing the existing buildings to an acceptable level of safety would be economically infeasible, and determined that if the project was not approved, the buildings would continue to deteriorate and become increasingly unsafe; 2) an economic analysis of the project, including project alternatives, was prepared that determined preservation of all of the existing La Bahia buildings would be financially infeasible; and 3) the redevelopment of the structure, including through retaining portions of the existing structure’s historic bell tower and southeast buildings, as well as the proposed new structure’s Spanish Colonial architectural design, is consistent with the purposes of historic preservation because it is done in a way that respects and honors the existing structure’s architectural and historic integrity. Therefore, the City provided extensive factual and legal support for its decision.

In terms of the extent and scope of the development and the significance of the coastal resources affected by the decision, the site is designated historic and protected by the LCP, and thus the resources involved are historically significant. However, the LCP describes the way in which such resources are addressed, and the City followed such LCP policies. The resultant City-approved project is thus the embodiment of the LCP as regards this type of significant resource, which again counsels against a finding of substantial issue. It also counsels against a finding of substantial issue based on the precedential value of the City’s decision for future interpretations of its LCP.

Finally, the project does not raise issues of regional or statewide significance, but rather reflects local concerns and issues, again supporting a finding of no substantial issue in this case.

In short, La Bahia is afforded protection under the LCP, but the LCP is more multi-faceted when it comes to historic protection than simply rote reliance and determination that designated resources must be forever unmodified. To be sure the LCP encourages the rehabilitation and restoration of designated historic landmarks, but the LCP does not provide an outright prohibition on the alteration, demolition, or de-designation of historic structures, but instead describes the process and findings that must be made in order to do so. The City followed the LCP in this respect, and the LCP allows for a project like this in these circumstances.

In addition, the City’s approval explicitly seeks to retain the historic character of the existing La

Bahia structure, primarily though required retention and restoration of the primary character-defining element of La Bahia, namely its bell tower and the related structures forming the upcoast corner of the site. These areas will be restored in a similar arrangement as is present today, and will include such Spanish Colonial design elements as stucco walls, terracotta roof tiles, balconies, and ironwork. This restoration will complement the new buildings, which will also utilize white stucco walls, terracotta roof tiles, courtyards, and balconies in order to reflect and mimic the existing site's historicity. The City also required historic documentation. Thus, the approved project retains the existing site's architectural and historic character to the degree possible with a partial demolition, consistent with LCP standards that specify the requirements for demolishing and redeveloping historic structures.

Finally, it is important to note that the LCP also specifically encourages and promotes redevelopment of La Bahia for visitor-serving accommodations and related uses. La Bahia is located in the heart of the City's beach area but it is currently being used exclusively for residential purposes. And although La Bahia is historic and that historicity and design contribute to the character of the area, it is also significantly deteriorated and in dire need of attention. The City's approval would result in a new standard-operating hotel with conference and related facilities designed to accommodate and encourage visitors to the heart of the City's beach area, which promotes LCP objectives in that respect.

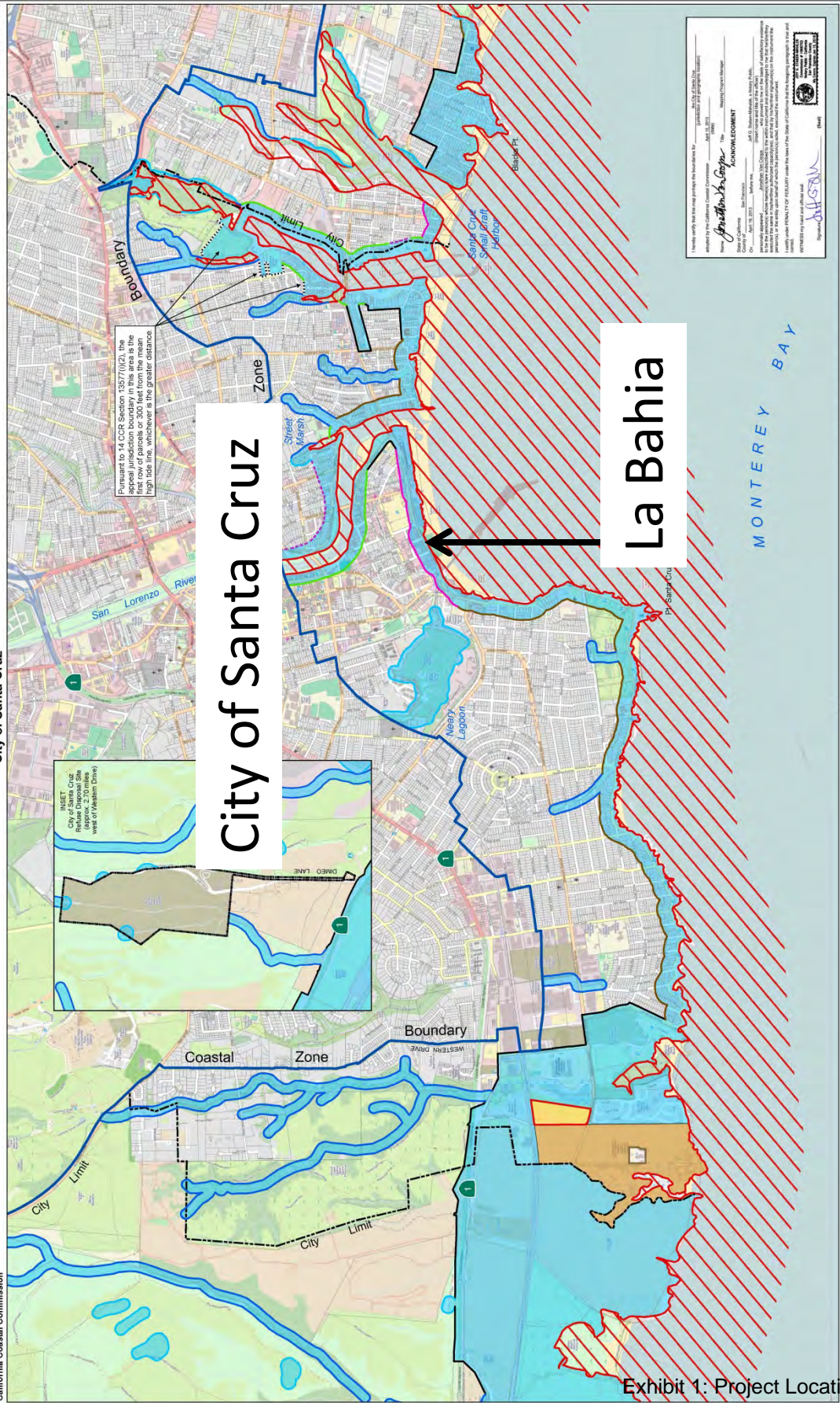
In short, the City's approval followed the LCP's process for addressing historic resources, and would result in a project that is allowed by the LCP's historic resource protection policies. It also results in new visitor-serving facilities in a critical location along the City's primary beach-area visitor district as provided for in the LCP. Thus, the Appellant's contentions do not raise a substantial LCP conformance issue, and the Commission declines to take jurisdiction over the CDP for this project.

APPENDIX A: SUBSTANTIVE FILE DOCUMENTS

- City of Santa Cruz certified Local Coastal Program
- City of Santa Cruz CDP 13-0176 File
- Architectural Resources Group. *La Bahia Apartments, Santa Cruz, California, Architectural Analysis and Development Analysis*, September, 1997
- Architectural Resources Group. *Historic Resources Technical Report, La Bahia Apartments, Santa Cruz, California*, December 18, 2013
- City of Santa Cruz Redevelopment Agency. *Environmental Impact Report for Beach South of Laurel Comprehensive Area Plan*, March 1998
- Charles Hall Page and Associates, Inc. Urban and Environmental Planning & Design/Architecture. *Santa Cruz Historical Building Survey, Volume 1*, 1976
- Santa Cruz Seaside Company. *The Santa Cruz Beach Boardwalk: A Century by the Sea* Ten Speed Press, 2007
- STC-1-11 (La Bahia Site Standards) LCP Amendment File
- STC-MAJ-1-01 Part B LCP Amendment File
- City of Santa Cruz CDP 02-066 (La Bahia remodel)
- Biggs Cardosa Associates, Inc. *Structural Engineering Review*, December 18, 2013
- Economic and Planning Systems, Inc. *La Bahia Hotel Proposed Project and EIR Alternatives Feasibility Analysis*, Final Memorandum to the City of Santa Cruz, July 18, 2014

REGULATORY AND JURISDICTIONAL BOUNDARIES
City of Santa Cruz

**Santa Cruz County
Santa Cruz, Soquel Quadrangles (portions)**



*The Appeal Jurisdiction shown on this map may include areas adjacent to streams depicted on the corresponding USGS 7.5 minute quadrangle maps that have been channelized or otherwise altered. Pursuant to 14 C.F.R. §13577(a), channelized streams not having significant habitat value should not be considered as a basis for delineating stream appeal jurisdiction.

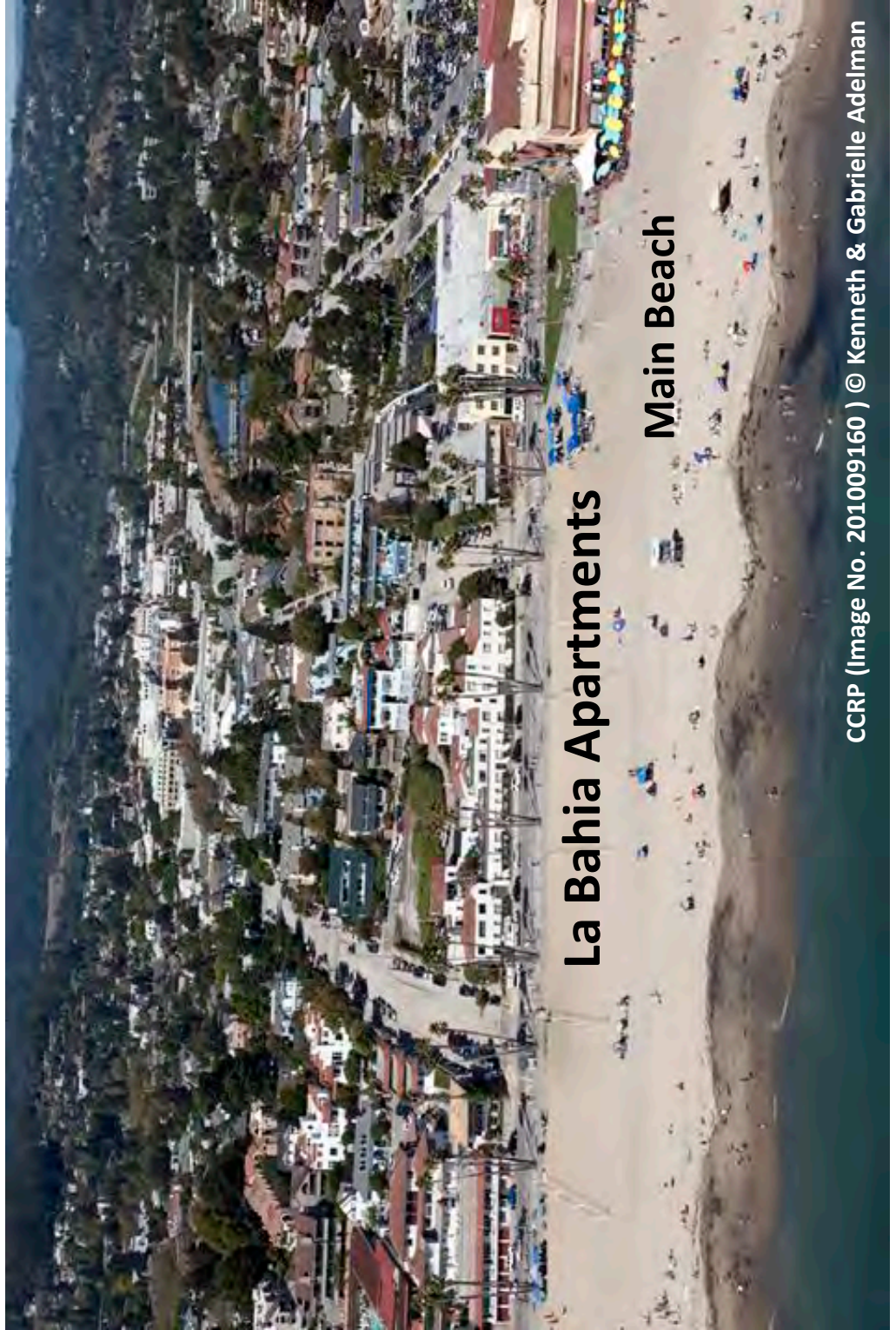
base map. (c) OpenStreetMap and contributors, Creative Commons-Share Alike License (CC-BY-SA). For illustrative purposes only.

Technical Services Division - GIS Unit
California Coastal Commission

1

Exhibit 1: Project Location

PROJECT SITE LOCATION



CCRP (Image No. 201009160) © Kenneth & Gabrielle Adelman



VIEW E

ORIGINAL



VIEW E

AFTER

Exhibit 2: Project Site Photos & Visual Simulations



VIEW F

ORIGINAL



VIEW F

AFTER

Exhibit 2: Project Site Photos & Visual Simulations



VIEW G

ORIGINAL



VIEW G

AFTER

Exhibit 2: Project Site Photos & Visual Simulations



VIEW H

ORIGINAL



VIEW H

AFTER

Exhibit 2: Project Site Photos & Visual Simulations



VIEW I

ORIGINAL



VIEW I

AFTER

Exhibit 2: Project Site Photos & Visual Simulations



Exhibit 2: Project Site Photos & Visual Simulations
A-3-STC-14-0049 (La Bahia Hotel)
Page 6 of 8

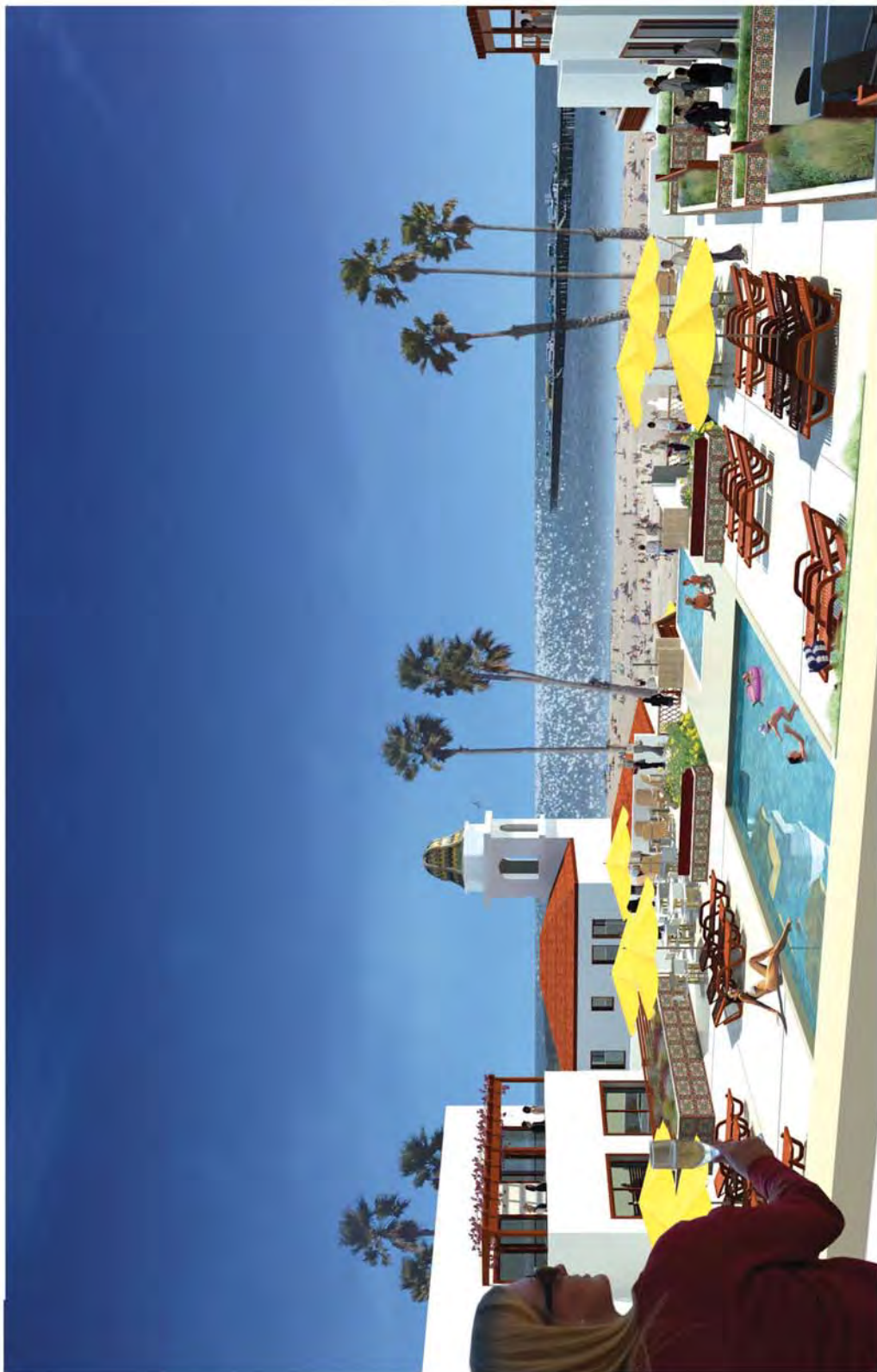


Exhibit 2: Project Site Photos & Visual Simulations
A-3-STC-14-0049 (La Bahia Hotel)
Page 7 of 8



Exhibit 2: Project Site Photos & Visual Simulations
A-3-STC-14-0049 (La Bahia Hotel)

KEYNOTE LEGEND

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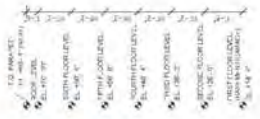
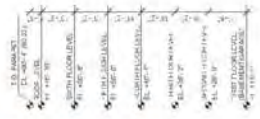
3 POOL DECK COURTYARD EXTERIOR ELEVATION - EAST
SCALE: 1/16" = 1'-0"



2 POOL DECK COURTYARD EXTERIOR ELEVATION - WEST
SCALE: 1/16" = 1'-0"



1 NORTH EXTERIOR ELEVATION - FIRST STREET
SCALE: 1/16" = 1'-0"



KEYNOTE LEGEND	
1	LIGHT-COLORED STUCCO
2	PAINTED ALUMINUM WINDOWS
3	TRELLIS
4	ORNAMENTAL MTL. GUARDRAILS & GATES
5	DECORATIVE TILE
6	CAST STONE PARAPET CAP
7	TILE ROOF
8	SLOPED PAINTED MTL. ROOF
9	PTD. STL. & WOOD SUNSHADE CANOPY

T.O. PARAPET EL. +80'-4" (80.33)	1
ROOF LEVEL EL. +76'-10"	7
SIXTH FLOOR LEVEL EL. +66'-8"	8
FIFTH FLOOR LEVEL EL. +66'-6"	5
FOURTH FLOOR LEVEL EL. +46'-4"	4
THIRD FLOOR LEVEL EL. +36'-2"	3
SECOND FLOOR LEVEL EL. +26'-0"	2
FIRST FLOOR LEVEL (BASEMENT/GARAGE) EL. +14'-4"	1

T.O. PARAPET EL. +80'-4" (80.33)	1
ROOF LEVEL EL. +76'-10"	7
SIXTH FLOOR LEVEL EL. +66'-8"	8
FIFTH FLOOR LEVEL EL. +66'-6"	5
FOURTH FLOOR LEVEL EL. +46'-4"	4
THIRD FLOOR LEVEL EL. +36'-2"	3
SECOND FLOOR LEVEL EL. +26'-0"	2
FIRST FLOOR LEVEL (BASEMENT/GARAGE) EL. +14'-4"	1

T.O. PARAPET EL. +80'-4" (80.33)	1
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FIFTH FLOOR LEVEL EL. +66'-6"	5
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THIRD FLOOR LEVEL EL. +36'-2"	3
SECOND FLOOR LEVEL EL. +26'-0"	2
FIRST FLOOR LEVEL (BASEMENT/GARAGE) EL. +14'-4"	1



3 POOL DECK COURTYARD EXTERIOR ELEVATION - EAST

SCALE: 1/16" = 1'-0"



2 POOL DECK COURTYARD EXTERIOR ELEVATION - WEST

SCALE: 1/16" = 1'-0"



1 NORTH EXTERIOR ELEVATION - FIRST STREET

SCALE: 1/16" = 1'-0"

KEYNOTE LEGEND	
1	LIGHT-COLORED STUCCO
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8	SLOPED PAINTED MTL. ROOF
9	PTD. STL. & WOOD SUNSHADE CANOPY

TO PARAPET EL. +80'-4" (80.33)	TO PARAPET EL. +80'-4" (80.33)
ROOF LEVEL EL. +76'-10"	ROOF LEVEL EL. +76'-10"
SIXTH FLOOR LEVEL EL. +66'-8"	SIXTH FLOOR LEVEL EL. +66'-8"
FIFTH FLOOR LEVEL EL. +66'-6"	FIFTH FLOOR LEVEL EL. +66'-6"
FOURTH FLOOR LEVEL EL. +46'-4"	FOURTH FLOOR LEVEL EL. +46'-4"
THIRD FLOOR LEVEL EL. +36'-2"	THIRD FLOOR LEVEL EL. +36'-2"
SECOND FLOOR LEVEL EL. +26'-0"	SECOND FLOOR LEVEL EL. +26'-0"
FIRST FLOOR LEVEL (BASEMENT/GARAGE) EL. +14'-4"	FIRST FLOOR LEVEL (BASEMENT/GARAGE) EL. +14'-4"

TO PARAPET EL. +80'-4" (80.33)	TO PARAPET EL. +80'-4" (80.33)
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FIRST FLOOR LEVEL (BASEMENT/GARAGE) EL. +14'-4"	FIRST FLOOR LEVEL (BASEMENT/GARAGE) EL. +14'-4"



3 EAST-WEST SECTION FACING NORTH @ POOL DECK

SCALE: 1/16" = 1'-0"



2 EAST-WEST SECTION FACING NORTH @ LOBBY

SCALE: 1/16" = 1'-0"

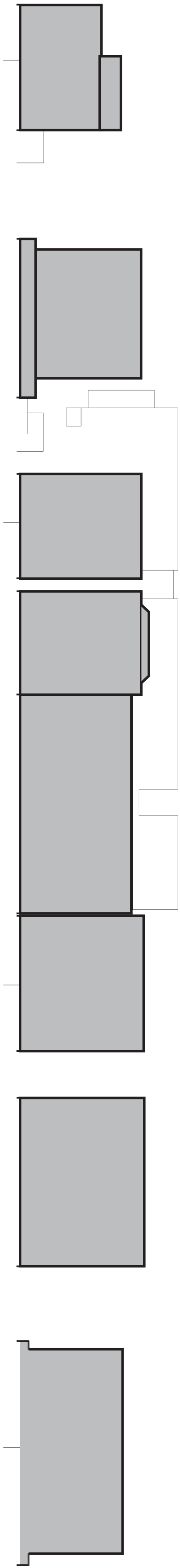


1 EAST-WEST SECTION LOOKING SOUTH

SCALE: 1/16" = 1'-0"

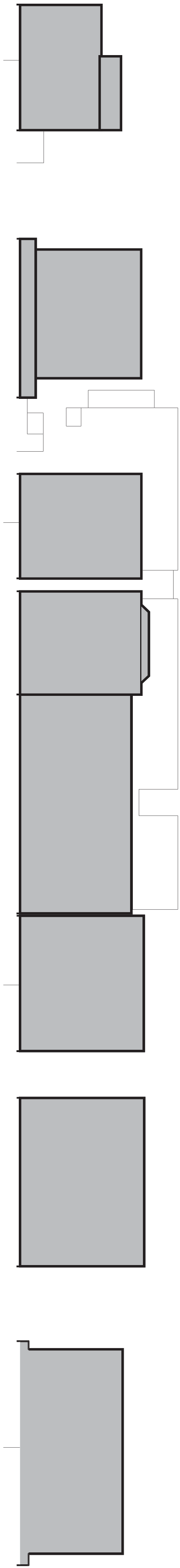
GENERAL NOTES

- 1. TOTAL ROOF AREA = 52,488 GSF
- 2. UNINHABITABLE MECHANICAL AREAS = 3,866 GSF < 10% ROOF AREA (6,240 GSF PER 2410.824.2.E.1.)
- 3. ARCHITECTURAL ELEMENTS = 425 GSF < 15% ROOF AREA (7,886 GSF PER 2410.824.2.E.1)



GENERAL NOTES

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- 3. ARCHITECTURAL ELEMENTS = 425 GSF < 15% ROOF AREA (7,886 GSF PER 2410.824.2.E.1)



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SAN FRANCISCO, CA 94107
T 415 465 1700
F 415 465 1700
W www.lmsarch.com

STAMP

CONSULTANTS

PROJECT

LA BAHIA HOTEL
215 BEACH STREET
SANTA CRUZ, CA

NO REVISION DATE

DATE: 25 APRIL 2013
JOB No.: 1301
PHASE: CONCEPT DESIGN
ISSUED FOR: PLANNING
PERMIT No.:
SCALE: As indicated

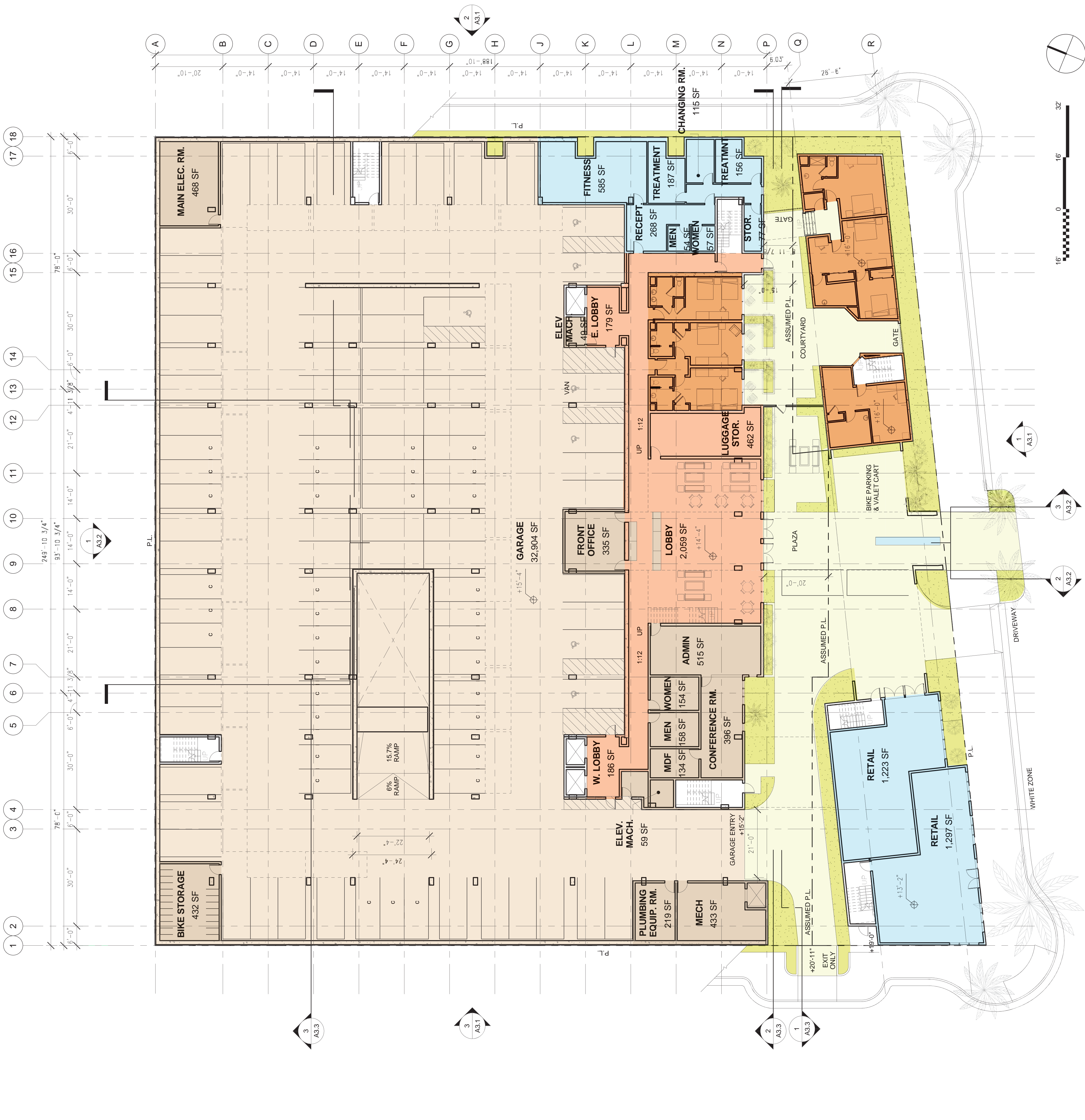
SHEET TITLE
SITE PLAN /
ROOF PLAN

SHEET No

A1.1



1 SITE PLAN / ROOF PLAN
A1.1 SCALE: 1" = 20'-0"



1 FIRST LEVEL FLOOR PLAN
A2.1 SCALE: 1/16" = 1'-0"



1

A2.2

SECOND LEVEL FLOOR PLAN

SCALE: 1/16" = 1'-0"



THIRD LEVEL FLOOR PLAN
SCALE: 1/16" = 1'-0"



1

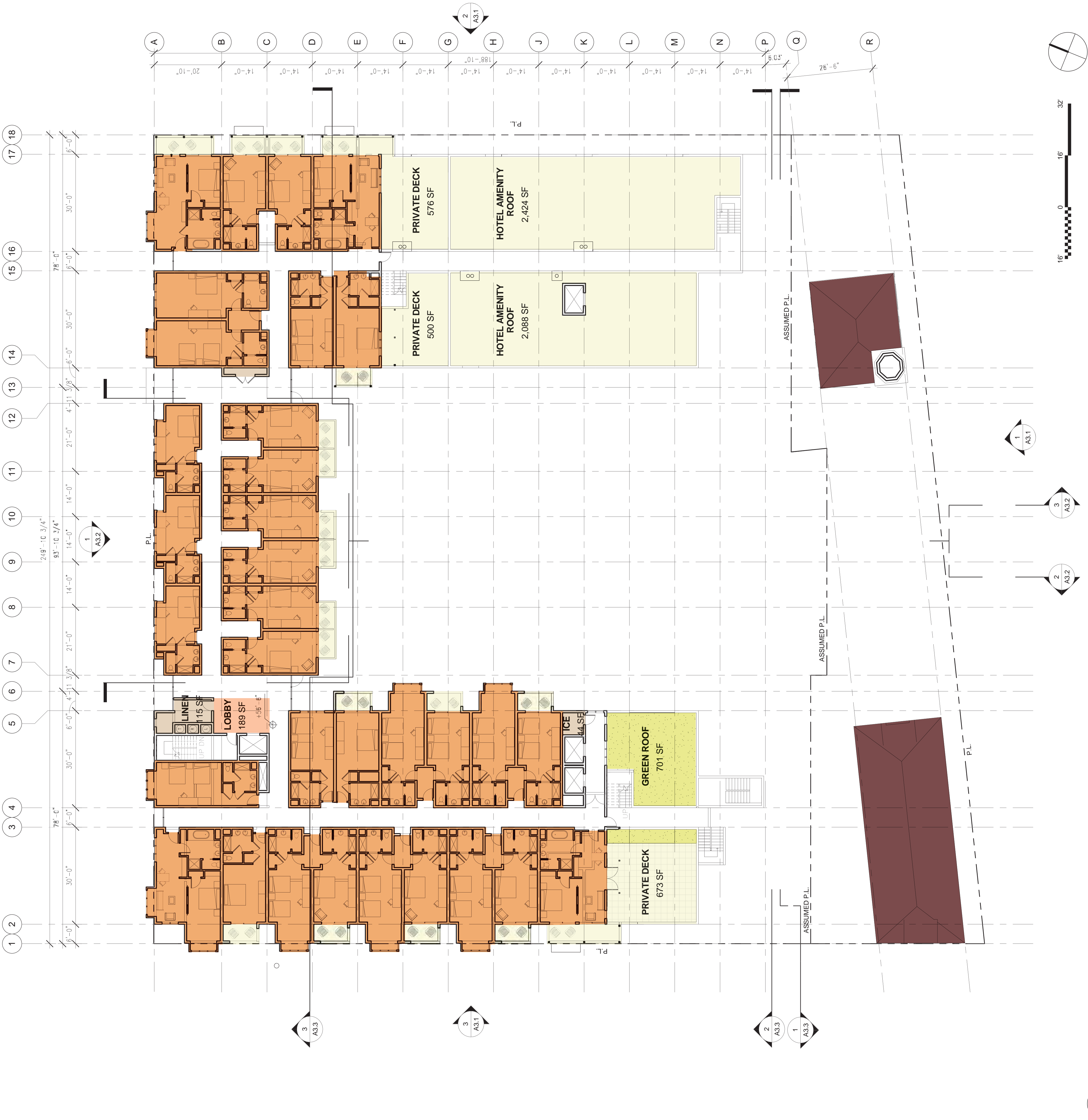
FOURTH LEVEL FLOOR PLAN

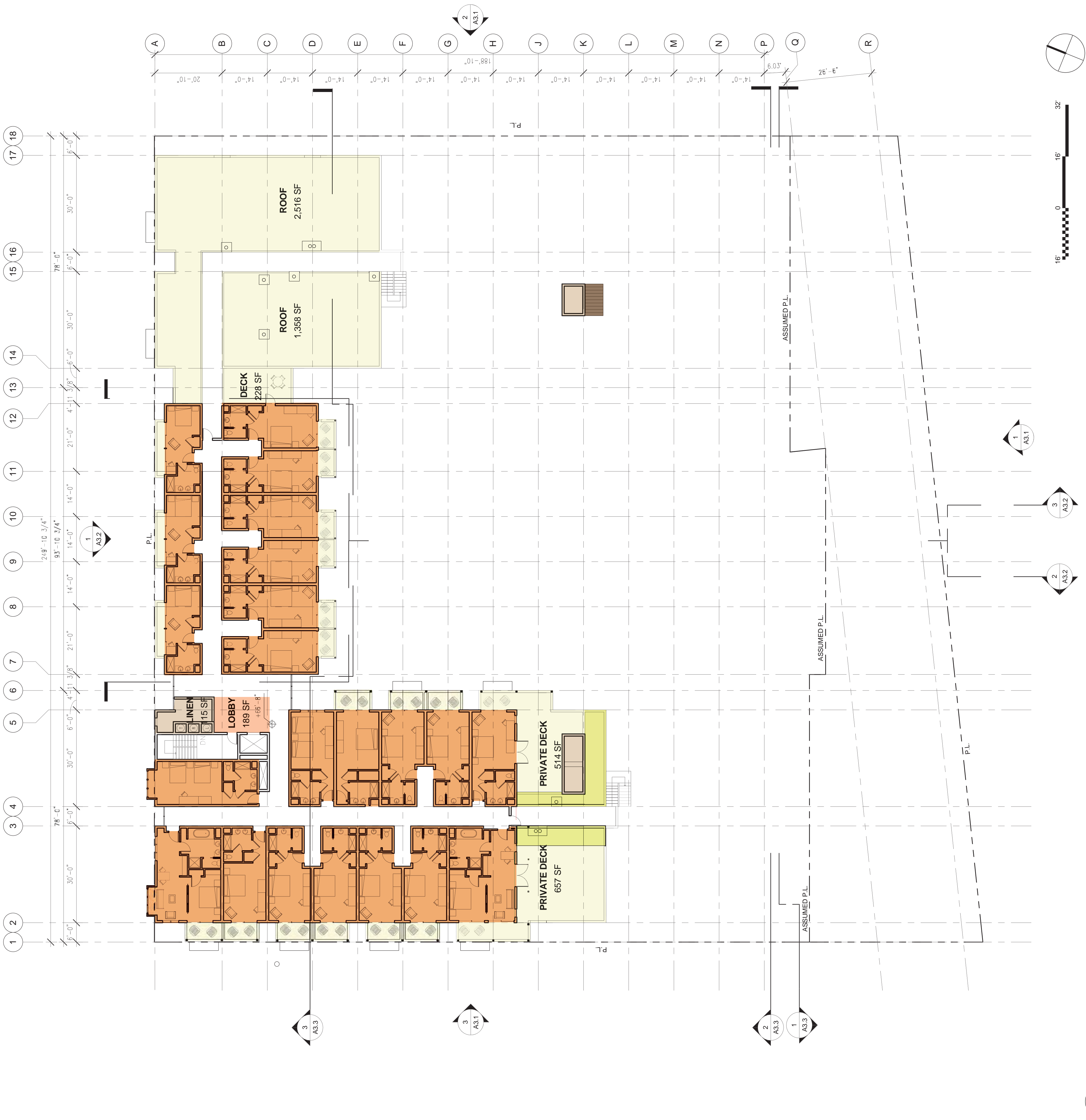
A2.4

SCALE: 1/16" = 1'-0"

LEGEND

- PARKING
- ADMINISTRATION / SUPPORT
- LOBBY
- FOOD & BEVERAGE
- MEETING SPACE
- AMENITIES
- GUEST ROOMS
- COURTYARD





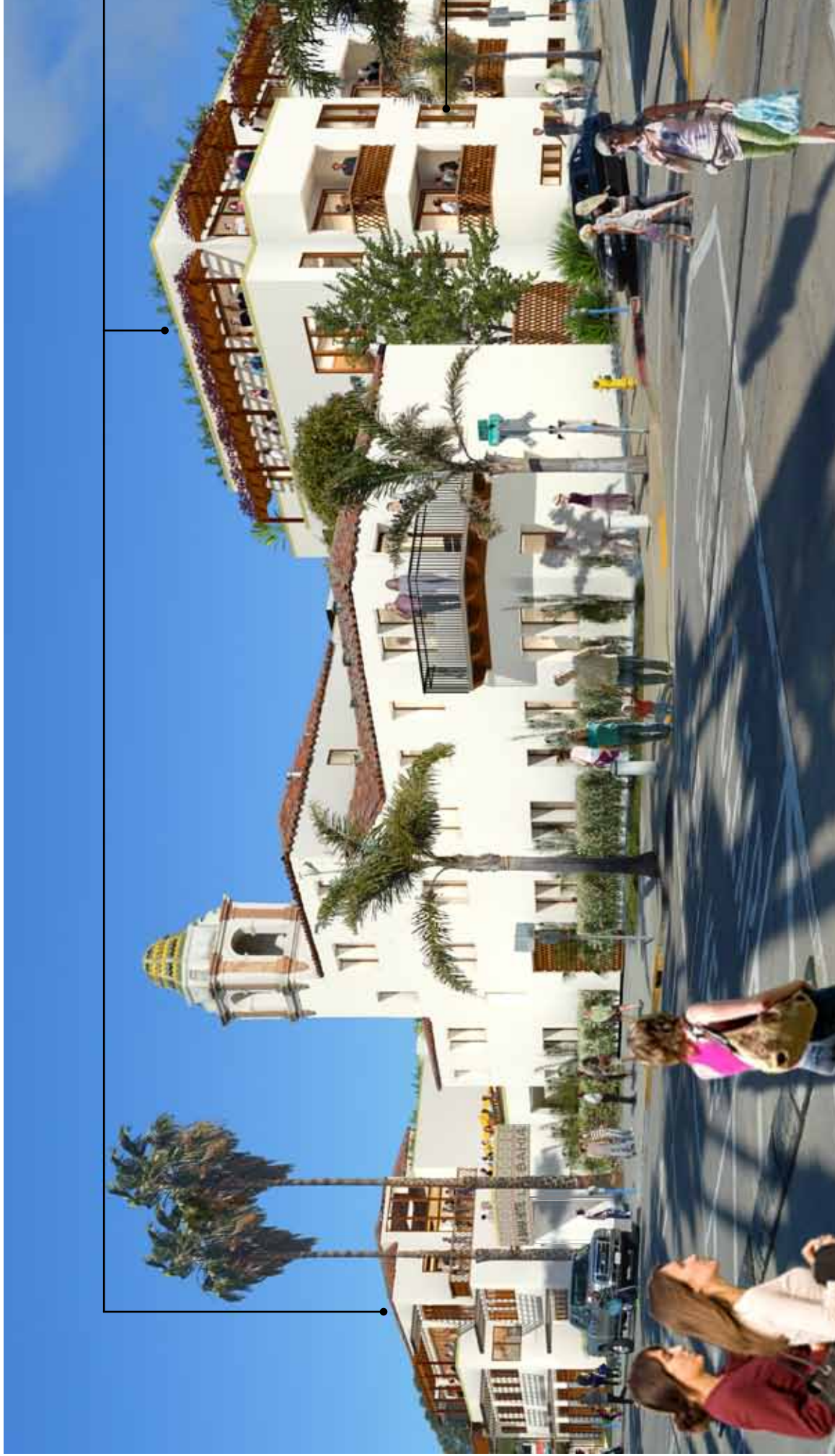
1

SIXTH LEVEL FLOOR PLAN

SCALE: 1/16" = 1'-0"

Beach and South of Laurel Area Plan:

SPANISH COLONIAL REVIVAL DESIGN GUIDLINES

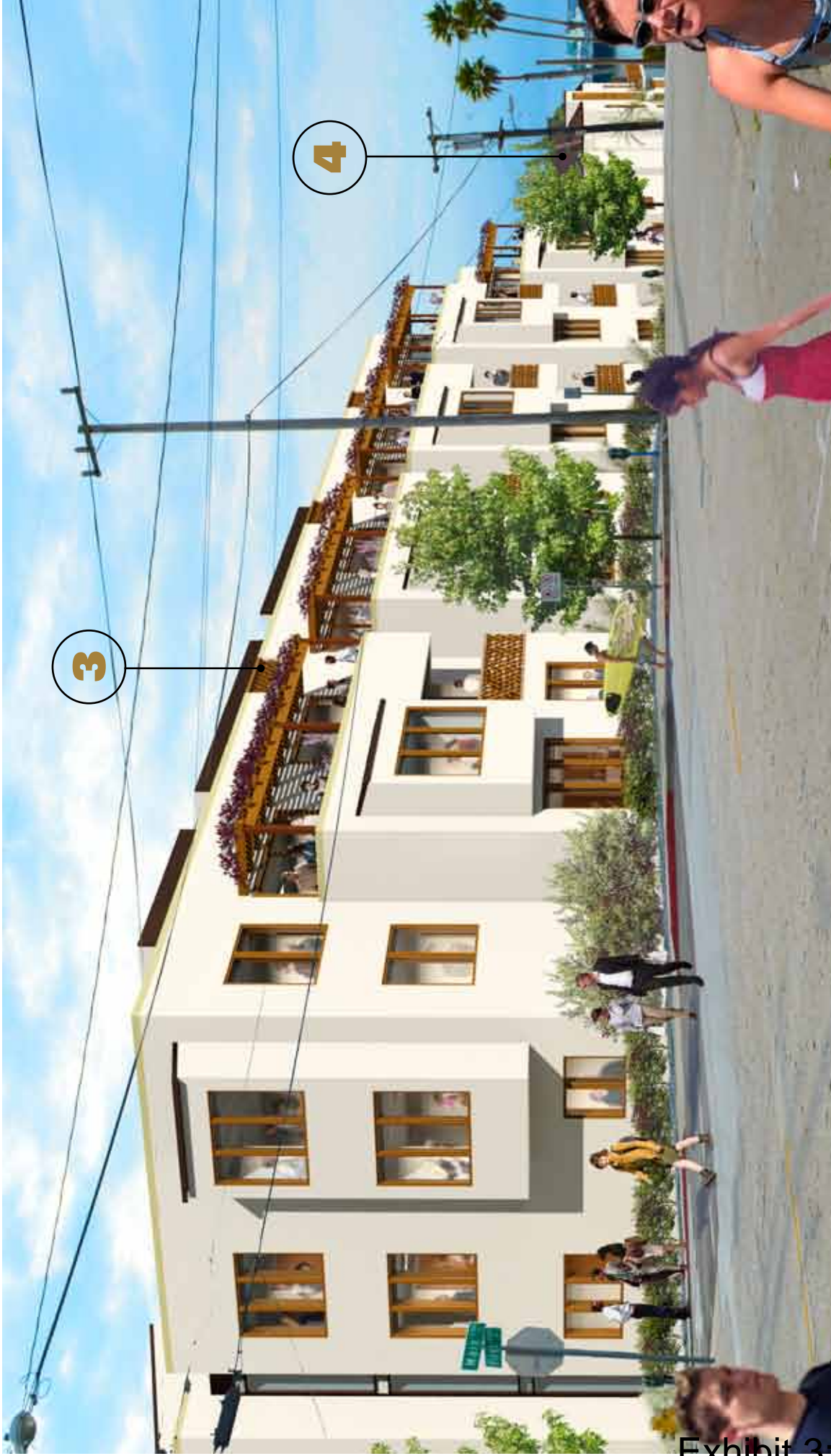


DESIGN GUIDLINE:

"Buildings shall be designed with stucco walls, courtyards, arches, towers, balconies, wood doors and windows, decorative iron and tile details or other features typical of the Spanish Colonial Revival Style"

RESPONSE:

- 1 New design is in keeping with Traditional Spanish colonial revival style in materials and detailing with punched windows, stucco walls, balconies, trellisses, and decorative tile.
- 2 Recessed doors and windows have been incorporated in keeping with Traditional Spanish colonial revival architecture.



DESIGN GUIDLINE:

"Parapets shall incorporate curvilinear decorative shapes and moldings."

RESPONSE:

- 3 Parapet design incorporates geometric, decorative metalwork in the parapet walls along with a cast stone parapet cap (refer to materials board for sample).
- 4 New terracotta barrel tile roofs match original roof color blend on original building.

"Tile roof colors shall be natural clay terra cotta tones"



DESIGN GUIDLINE:

"Building walls shall be stucco and colored white, off-white or very light to medium value, warm-toned hues."
"Roofs shall be hipped terra cotta tile roofs or flat roofs completely surrounded by a parapet."

RESPONSE:

- 5 Stucco is a warm off-white color with traditional trowling on the old building, and a smooth finish on the new.
- 6 Hipped terra cotta roofs are included on the new Beach Street addition, the existing La Bahia tile roof repaired, and flat roofs with a continuous parapet with decorative geometric metalwork panel and cast stone cap are integrated into the new building forms.

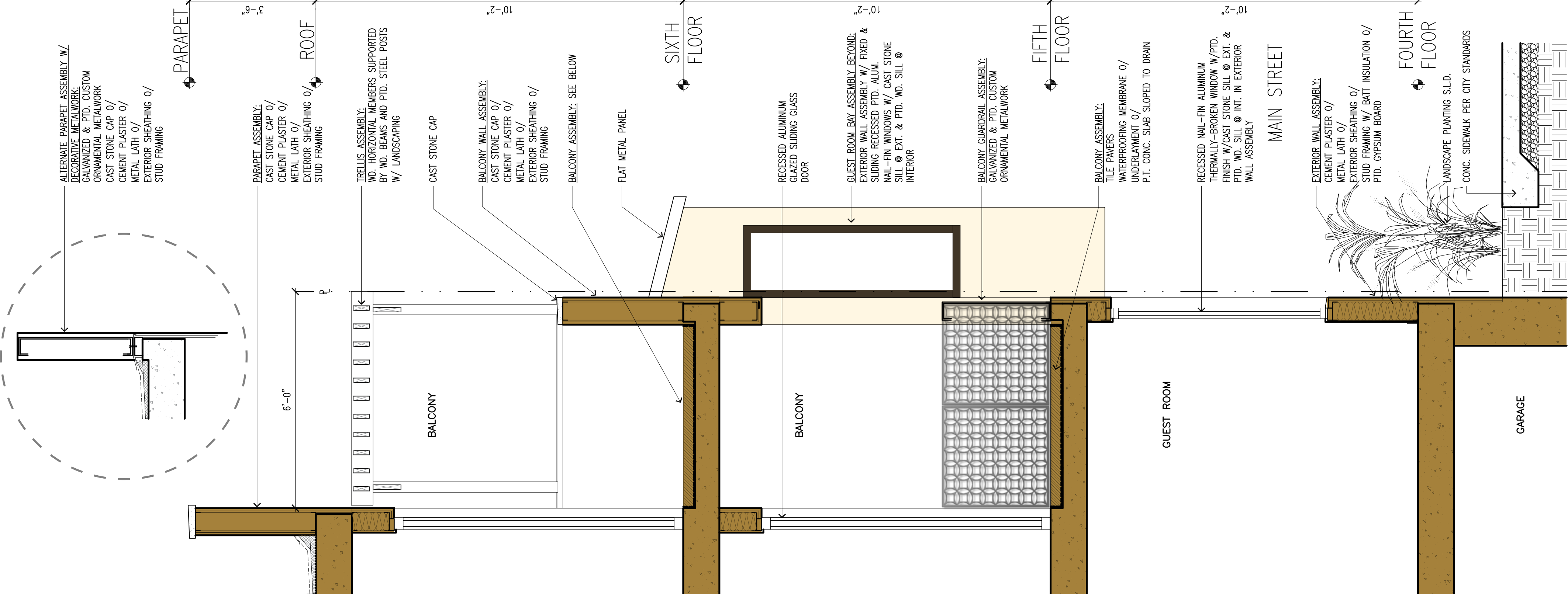


DESIGN GUIDLINE:

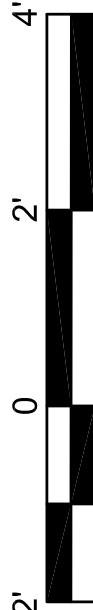
"Stained wood is preferred, however, trim may also be painted darker value color than the main building color."
"Wood sash or casement windows shall be used to maintain compatible architectural character. Vinyl clad wood or baked enamel aluminum frame windows are acceptable if they duplicate the established architectural style."

RESPONSE:

- 7 Stained Cedar utilized for trellis members, and sunshade
- 8 Milgard Aluminum operable windows in painted finish in brown color.



1 WALL SECTION
A3.10 SCALE: 1/2"=1'-0"



DEMOLITION PLAN LEGEND:

AREA OF SITE TO BE DEMOLISHED, CLEARED AND GRUBBED

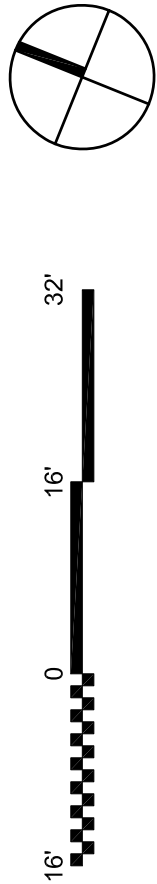
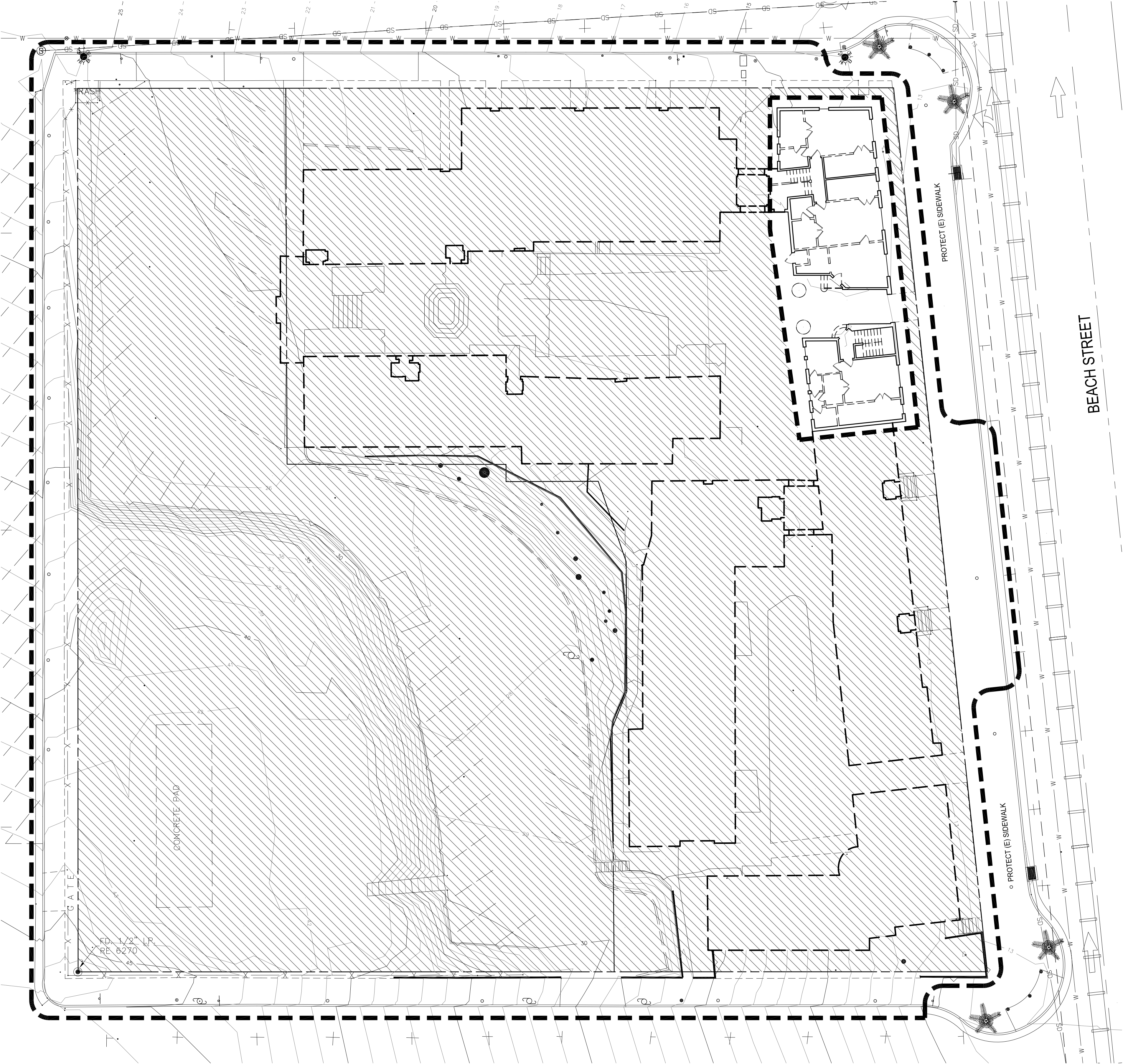
EXISTING BUILDING TO BE DEMOLISHED

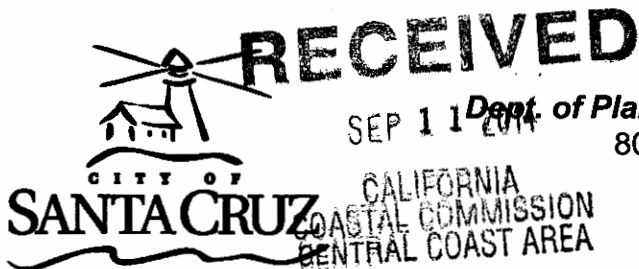
EXISTING WALL TO BE PROTECTED AND REMAIN

EXISTING WALL PARTITION TO BE DEMOLISHED

DEMOLITION PLAN GENERAL SHEET NOTES:
1. SEE CIVIL DRAWING FOR FULL EXTENTS OF SITE DEMOLITION, PROTECTION AND EROSION CONTROL.
2. SEE LANDSCAPE DRAWINGS FOR TREE REMOVAL AND TREE PROTECTION.

TOTAL EXISTING BUILDING ON SITE: 16,278 SF
EXISTING BUILDING TO BE DEMOLISHED: 14,197 SF
EXISTING BUILDING TO BE PROTECTED & REMAIN: 2,081 SF





RECEIVED

SEP 11 2014

Dept. of Planning and Community Development

809 Center Street, Room 206

Santa Cruz, CA 95060

(831) 420-5100

Notification of Final Local Action on Coastal Permits

Date: September 10, 2014

To: Attn: Karen. J. Geisler, Planner
California Coastal Commission
Central Coast District
725 Front St., Ste 300
Santa Cruz, CA 95060

FINAL LOCAL ACTION NOTICE

REFERENCE # 3-STC-14-0812
APPEAL PERIOD 9/11 - 9/25/14

From: City of Santa Cruz Planning Department

Please be advised of the following actions:

☐ Zoning Administrator hearing of _____
(date)

☐ Local appeals **have not** been filed on the following case:

☐ Local appeals **have been** filed on the following case:

File No. _____ Address: _____

☐ Adopted findings and conditions are attached. ☐ Were previously submitted.

☐ Planning Commission hearing of _____
(date)

☐ Local appeals **have not** been filed on the following case:

☐ Local appeals **have been** filed on the following case numbers:

File No.: _____ Address: _____

☐ Adopted findings and conditions are attached. ☐ Were previously submitted.

☒ City Council hearing of September 9, 2014
(date)

☐ Local appeals **have not** been filed on the following case:

☐ Local appeals **have been** filed on the following case numbers:

File No.: CP13-0059 Address: 215 Beach St (La Bahia)

☒ Adopted findings and conditions are attached. ☐ Were previously submitted.

☐ This project is not appealable to the California Coastal Commission. Section 24.04186.

Action Agenda for coastal permits acted upon is attached.

Exhibit 4: Final Local Action Notice

A-3-STC-14-0049 (La Bahia)

P:_Public\PACKETS\2014\CC\09-09-14\215beachst_Labahiahotel_Flan.Doc

Page 1 of 47

RECEIVED

SEP 11 2014

CALIFORNIA
COASTAL COMMISSION
CENTRAL COAST AREA

RESOLUTION NO. NS-28,832

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ
APPROVING A RESIDENTIAL DEMOLITION AUTHORIZATION PERMIT, HISTORIC
DEMOLITION PERMIT, HISTORIC ALTERATION PERMIT, HISTORIC BUILDING
SURVEY DELETION, PLANNED DEVELOPMENT PERMIT, COASTAL PERMIT, DESIGN
PERMIT, ADMINISTRATIVE USE PERMIT, SPECIAL USE PERMIT, AND A BOUNDARY
LINE ADJUSTMENT FOR THE "LA BAHIA" HOTEL PROJECT - DEMOLITION OF AN
EXISTING 44-UNIT APARTMENT COMPLEX BUILDING LISTED ON THE CITY
HISTORIC BUILDING SURVEY AND CONSTRUCTION OF A 165-ROOM HOTEL WITH
CONFERENCE AND BANQUET SPACE, RESTAURANT, RETAIL SPACE, DAY SPA
AND PARTIALLY UNDERGROUND GARAGE IN THE RTC-PER2/HO/CZ/SPO
ZONING DISTRICT. (APPLICATION NO. CP13-0059)

WHEREAS, Craig French, applicant for property located at 215 Beach Street ("applicant"), also known as Assessor's Parcel Number 007-214-01 & -02 have applied for a Residential Demolition Authorization Permit, Historic Demolition Permit, Historic Alteration Permit, Historic Building Survey Deletion, Planned Development Permit, Coastal Permit, Design Permit, Special Use Permit, Administrative Use Permit, and a Boundary Line Adjustment for the proposed 165-room hotel with conference and banquet space, restaurant/bar, retail, spa facilities and partially underground garage; and

WHEREAS, the project site and its development is governed by the standards and guidelines contained in Municipal Code Titles 23 and 24, the Subdivision and Zoning Ordinances, and the Beach/South of Laurel Area Plan; and

WHEREAS, the application has undergone environmental review in accordance with CEQA and the State CEQA Guidelines; and

WHEREAS, more specifically, an Environmental Impact Report (EIR) was prepared and circulated for a 45-day review period which ended on February 28, 2014, and a Final EIR was issued on July 17, 2014; and

WHEREAS, the Planning Commission conducted a public hearing on August 7, 2014, and recommended approval; and

WHEREAS, the Historic Preservation Commission conducted a public hearing on August 13, 2014, and recommended approval; and

WHEREAS, the City Council adopted separate resolutions to certify the environmental impact report and adopt environmental findings and a Mitigation Monitoring Program; and

WHEREAS, the City Council adopted a separate ordinance to approve a Development Agreement for the project; and

WHEREAS, the City Council now makes the following findings:

With respect to the Planned Development Permit, Section 24.08.770

1. **The project is consistent with the General Plan, the Local Coastal Land Use Plan, and adopted area plans.**

The proposed hotel project is consistent with the City General Plan, Local Coastal Plan and adopted Beach/South of Laurel Area Plan, all of which call for Regional Visitor Commercial uses on the project site, which is located on a primary arterial in the City's beach-tourist area. The Beach/South of Laurel Area Plan was adopted in 1998 and specifically studied various sub-areas. This Plan discussed the need for improvement of motel and hotel facilities and the need for meeting space to attract more overnight and off-season visitors. The Area Plan policies pertinent to the proposed project are consistent with the City's updated General Plan adopted in June 2012.

The project is consistent with the following General Plan Land Use policies:

Economic Development Policy 1.41

Support the development of a new conference center, evaluate the contribution it would make in attracting visitors, and consider opportunities to link such a facility to a performing arts center.

Economic Development Policy 1.5

Encourage the development of new lodging facilities, particularly those targeting a higher-end market and those providing additional visitor amenities.

Economic Development Policy 1.5.1

Encourage the development of facilities that would accommodate conferences and conference-goers in conjunction with existing or new hotel development.

Economic Development Policy 1.5.2

Attract a top-end, full-service hotel to expand and improve the year-round conference segment of the tourism market.

The project is consistent with the following Local Coastal Plan Land Use policies:

Land Use Policy 2.7.2

Improve the character and quality of visitor-serving commercial areas to encourage more off-season and overnight visits.

Economic Development Policy 5.2

Encourage upgrades of existing hotel facilities and attract quality hotel and conference facilities in locations and scale appropriate to the City's character to enhance the quality of visitor-serving areas and promote development of the conference tourism market.

Economic Development Policy 5.2.1

Encourage the development of facilities that would help accommodate conference users in conjunction with existing hotels or new hotel development.

Economic Development Policy 5.2.2

Investigate the attraction of a top-end, full-service hotel to expand and improve the year-round conference segment of the tourism market.

The project is consistent with the Beach and South of Laurel Comprehensive Area Plan policies:

Land Use Policy 2.6

Provide significant opportunities for Beach Commercial area redevelopment of underutilized land that will provide attractive retail, entertainment, lodging and support uses that will appropriately extend the operational activities of the Beach.

Land Use Policy 2.16

The La Bahia shall be redeveloped as a visitor accommodation use available to the general public. If the La Bahia is converted to visitor-serving condominiums in order to fund the renovation project, restrict use of the condominiums by individual owners to no more than 45 days per year.

The project is consistent with the Beach and South of Laurel Comprehensive Area Plan Design Guidelines Beach Commercial Area Goals and Objectives:

Recapture the former Ocean Resort grandeur, character and scale through intensification of tourist-oriented development that promotes year-round activities in the Beach area.

Encourage improvements to lodging facilities, including development of a quality, full-service, hotel conference facility and redevelopment of older facilities.

2. **The project is consistent with the purpose of this chapter and other applicable sections of this title.**

Hotel uses are permitted uses in the RTC/CZO/SPO zone district. Alcohol service located within restaurants can be allowed with an Administrative Use Permit. Reductions in parking requirements for cooperative parking facilities can be allowed with a Special Use Permit. In accordance with the Zoning Ordinance as they relate to the project, a Planned Development Permit could allow an increase in building height not to exceed one story or twenty percent of the allowed height (in feet) over and above regulations established in the zone district in which the project is proposed. Thus, a height of 43 feet could be allowed with approval of a Planned Development Permit. Allowance of this additional height will enable the project economics necessary for construction of a major hotel with partially underground parking. Construction of a major hotel fulfills many goals of the General Plan and Beach/South of Laurel Area Plan policies discussed in Finding No. 1 above. The EIR provides visual analysis of the proposed building and views from designated viewpoints as well as adjacent streets. After consideration of visual simulations and project plans for the building, the proposed building provides an extraordinary contribution to the aesthetic goals of the Beach/South of Laurel Area Plan, and the project would help redevelop the rather deteriorated project site and will have public and economic benefits in terms of tourism jobs and taxes as well as beautification of the popular beach area.

3. **The project includes planned variations to underlying district regulations which serve public purposes to an equivalent or higher degree than would underlying district regulations.**

The RTC zone district allows heights up to 36 feet and buildings with up to three stories. The proposed hotel is planned primarily as a three-story structure that is stepped up from Beach Street to First Street. The project includes new building heights that would range from 32 to 43 feet. Under provisions of the City's Zoning Ordinance, a Planned Development Permit could allow an increase in building height not to exceed one story or twenty percent of the allowed height (in feet) over and above regulations established in the zone district in which the project is proposed. Thus, a height of 43 feet could be allowed with approval of a Planned Development Permit. Allowance of this additional height will enable the project economics necessary for construction of a major hotel with partially underground parking. Construction of a major hotel fulfills many goals of the General Plan and Beach/South of Laurel Area Plan policies discussed in Finding No. 1 above.

The RTC zone district requires a minimum building height of not less than two stories, of which the first floor retail, restaurant and entertainment uses must have a minimum floor-to-floor height of fifteen feet. The Beach and South of Laurel Area Plan Design Guidelines state that street level commercial spaces shall have 12-foot minimum floor-to-ceiling height to encourage retail activity. The hotel project proposes 12-foot floor-to-ceiling heights for the retail spaces that front Beach Street. Due to the discrepancy between the Zoning Code and the Beach and South of Laurel Area Plan Design Guidelines, an exception is being requested as part of the Planned Development Permit. As stated, the 12-foot floor-to-floor ceiling height meets design guidelines and is sufficient to accommodate a range of retail uses.

RESOLUTION NO. NS-28,832

RESOLUTION NO. NS-28,832

The hotel project proposes a total of 210 on-site parking spaces in a two-level garage, including 49 valet spaces (provided in the drive aisles of the parking structure). Of the 49 valet parking spaces, 27 will be located on the first level of the parking garage and 22 will be located on the second level. A valet service will be provided as needed when the hotel parking is reaching capacity and the drive aisles of the parking structure are needed. The Zoning Ordinance does not directly address valet systems; therefore, a parking variation is being requested as permitted by the Ordinance to allow for the requested format. Use of the valet system will help the hotel to better utilize the dedicated parking area, maximizing the parking potential, meeting the parking needs of the use, and providing a service that is standard to most high-end hotels.

For all of these reasons, the variations from the underlying district regulations will serve public purposes to an equivalent or higher degree than would the underlying district regulations without variation.

4. **The project can be coordinated with existing and proposed development of surrounding areas.**

The proposed hotel use is consistent with visitor-serving uses along Beach Street which is a major arterial leading to the beach and Boardwalk attractions. The new hotel is bordered on the east and west by other motel uses. On the north, the site is bordered by a mix of visitor-serving uses and multiple-unit housing development. Hotel and restaurant deliveries and laundry would be received at the loading dock toward the top of Westbrook Street. After receiving, all goods would be moved to the appropriate internal storage areas. All trash (hotel and restaurant) would be separated, and bulk trash would be compacted using a trash compactor. Trash would be picked up from the trash zone and/or loading docks along Westbrook Street, away from residential properties. The project integrates well into the surrounding mixed-use area.

5. **Overall, the amenity level of the development and the amount of open space shall be greater than what would have been permitted by the underlying district regulations.**

While the RTC zone district does not include specific open space requirements for visitor serving uses, the project open spaces are well integrated into the hotel layout. The project is a full-service hotel with partially underground parking, with amenities including a meeting and banquet space, a restaurant, retail space, a day spa, and a swimming pool. With the requested variations to height and valet parking, the project is able to dedicate additional space to the aforementioned amenities, including the open space focal point of the project which is the pool terrace, as well as the outdoor dining area for the restaurant.

With respect to the Design Permit, Section 24.08.430

6. **The site plan shall be consistent with physical development policies of the General Plan, any required or optional element of the General Plan, any area plan or specific plan or other city policy for physical development. If located in the Coastal Zone, a site plan shall also be consistent with policies of the Local Coastal Program.**

RESOLUTION NO. NS-28,832

The proposed hotel project is consistent with the adopted City General Plan, Local Coastal Plan and Beach/South of Laurel Area Plan which call for Regional Visitor Commercial uses on the project site which is located on a primary arterial in the City's beach-tourist area. The Beach/South of Laurel Area Plan was adopted in 1998 and specifically studied various sub-areas. The policies pertinent to the proposed project are consistent with the City's updated General Plan adopted in June 2012. This Area Plan discussed the need for improvement of motel and hotel facilities and the need for meeting space to attract more overnight and off-season visitors. The project is consistent with the following General Plan Land Use policies:

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Economic Development Policy 1.5

Encourage the development of new lodging facilities, particularly those targeting a higher-end market and those providing additional visitor amenities.

Economic Development Policy 1.5.1

Encourage the development of facilities that would accommodate conferences and conference-goers in conjunction with existing or new hotel development.

Economic Development Policy 1.5.2

Attract a top-end, full-service hotel to expand and improve the year-round conference segment of the tourism market.

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Land Use Policy 2.7.2

Improve the character and quality of visitor-serving commercial areas to encourage more off-season and overnight visits.

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Encourage upgrades of existing hotel facilities and attract quality hotel and conference facilities in locations and scale appropriate to the City's character to enhance the quality of visitor-serving areas and promote development of the conference tourism market.

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Recapture the former Ocean Resort grandeur, character and scale through intensification of tourist-oriented development that promotes year-round activities in the Beach area.

Encourage improvements to lodging facilities, including development of a quality, full-service, hotel conference facility and redevelopment of older facilities.

7. **The exterior design and appearance of buildings and structures and the design of the site plan shall be compatible with design and appearance of other existing buildings and structures in neighborhoods which have established architectural character worthy of preservation.**

The proposed building design is consistent with the Beach/South of Laurel Area Plan design guidelines, which call for Spanish Colonial Revival style buildings. The proposed project includes preservation and rehabilitation of the existing southeastern bell tower building which is a Spanish Colonial Revival style. The architecture of the new portions of the proposed building is Spanish Colonial Revival style that incorporates white stucco walls with red tile roofs, but is differentiated from the retained historic portion of the building to avoid false historicism. The project design strives to emulate many of the

design details from the existing La Bahia buildings. Elements include balconies, some bay windows, ornamental glazed tiles, decorative iron work, trellises, parapet walls with a cast stone parapet cap, and terra cotta tile roofs to match the original roof color.

8. **Design of the site plan shall respect design principles in terms of maintaining a balance of scale, form and proportion, using design components which are harmonious, materials and colors which blend with elements of the site plan and surrounding areas. Location of structures should take into account maintenance of view; rooftop mechanical equipment shall be incorporated into roof design or screened from adjacent properties. Utility installations such as trash enclosures, storage units, traffic-control devices, transformer vaults and electrical meters shall be accessible and screened.**

The hotel will be stepped up the slopes from Beach Street to First Street, with an enclosed and partially underground parking garage that is hidden from view. From most vantage points, the building generally appears as a three-story building which is consistent with other three-story buildings in the neighborhood. The overall scale as seen from adjacent areas would not appear massive in relation to other existing buildings in the area. Additionally, the overall building mass is broken up by architectural treatments, including punched-out windows, decks, trellises and overhangs. Thus, the project's mass and scale would not be out of character with the immediate area. Rooftop equipment is incorporated into the roof design and screened from adjacent properties. Utility installations such as trash enclosures, storage units, etc. are designed into the building, making them accessible but screened from view.

9. **Where a site plan abuts, or is in close proximity to, uses other than that proposed, the plan shall take into account its effect on other land uses. Where a nonresidential use abuts or is in close proximity to a residential use, the effect of the site plan should maintain the residential quality of adjacent or nearby areas.**

The project abuts areas primarily developed with similar visitor-serving uses. Some multiple residential uses are located to the north of the site along First Street. These multiple residential buildings adjacent to the subject range from 2-3 stories in height, with the majority of them being three stories. The portions of the hotel facing the residential buildings are mostly three stories, with a couple of segments that are partially four stories in height. A separation of approximately 65 feet is proposed between the residential structures and the hotel, including two sets of sidewalks, two lanes of traffic, angled parking spaces, and approximately four feet of landscaping abutting the hotel. No exit driveways, trash enclosures, hotel balconies or outdoor areas face the residential buildings, reducing any potential impacts from hotel operations on the residential uses.

10. **The orientation and location of buildings, structures, open spaces and other features of the site plan shall be such as to maintain natural resources including significant trees and shrubs to the extent feasible, maintain a compatible relationship to and preserve solar access of adjacent properties, and minimize alteration of natural land forms, building profiles, location, and orientation must relate to natural land forms.**

The project site does not include any natural areas nor significant trees or shrubs. The solar shading study in the project environmental impact report (EIR) concluded that new shadows would be limited. Due to the short duration of time areas would be shaded and the limited area of coverage, the EIR concluded that the impacts of the new shading on solar access would be insignificant.

11. **The site plan shall be situated and designed to protect views along the ocean and of scenic coastal areas. Where appropriate and feasible, the site plan shall restore and enhance visual quality of visually degraded areas.**

Since the project is located north of Beach Street (the first public road next to the ocean), no public views of the ocean would be impacted. Additionally, it should be noted that the proposed project does not incorporate Westbrook Street into the project site as did an earlier proposal, discussed during preparation of the Beach/South of Laurel Area Plan. The north-south Westbrook Street allows views of the ocean from First Street.

12. **The site plan shall minimize the effect of traffic conditions on abutting streets through careful layout of the site with respect to location, dimensions of vehicular and pedestrian entrances, exit drives and walkways; through the adequate provision of off-street parking and loading facilities; through an adequate circulation pattern within the boundaries of the development; and through the surfacing and lighting of off-street parking facilities.**

The project will have a check-in driveway at the first-floor level on Beach Street, which provides access to the valet parking area and the on-site parking garage. One exit-only driveway will be provided on Main Street, and one full-access driveway will be provided on Westbrook Street. The project traffic study concluded that circulation within the parking garage is adequate for passenger-type vehicles. The site will be accessible to emergency response vehicles; access to the site will meet City Fire requirements and will not create access hazards. No roads would be closed or converted/reconstructed that will impact response routes or travel times to the area. Intersections in the project area would continue to operate at acceptable levels in accordance with City standards. New public sidewalks, including landscaping, will surround the site and provide pedestrian access to entrances in various locations surrounding the hotel. Project traffic and planned street modifications will not result in unsafe conditions or inadequate access. A total of 210 on-site parking spaces are provided in a two-level, partially underground parking garage, utilizing an implemented valet system. Based on a parking analysis prepared for the project, the parking provided will be adequate for the multiple uses on the property.

13. **The site plan shall encourage alternatives to travel by automobile where appropriate, through the provision of facilities for pedestrians and bicyclists, including covered parking for bicycles and motorcycles where appropriate. Public transit stops and facilities shall be accommodated as appropriate, and other incentive provisions considered which encourage non-auto travel.**

The project location near the beach and Boardwalk visitor-serving facilities will result in many pedestrian trips between the hotel and these facilities. Bicycle parking will be provided in accordance with City parking requirements. The project is within walking distance of transit routes and a condition of approval requires the applicant to contribute a fair share toward operation of beach shuttle.

14. **The site shall provide open space and landscaping which complement buildings and structures. Open space should be useful to residents, employees, or other visitors to the site. Landscaping shall be used to separate and/or screen service and storage areas, separate and/or screen parking areas from other areas, break up expanses of paved area, and define open space for usability and privacy.**

The project is a full-service hotel with partially underground parking, a major central pool terrace courtyard, and outdoor restaurant space. Project plans include approximately 32,850 square feet of exterior landscaping, including courtyards, patios, and landscaping. The proposed landscaping design is a collection of outdoor courtyards and patios featuring a large north-south courtyard on the third level that would support the pool and surrounding pool deck. Most storage areas are located within the underground parking area and are screened from public view. Landscaping surrounding the project includes entry plantings, street trees, decorative planters (that also serve as stormwater bio-planters), as well as use of permeable pavers. Thirteen trees are planned around the perimeter of the proposed hotel, including bay laurel, palm, and yucca trees, as well as four clusters of three Mexican fan palm trees. While the RTC zone district does not include specific open space requirements for visitor serving uses, the project open spaces are generous and well integrated into the hotel layout.

15. **The site plan shall reasonably protect against external and internal noise, vibration and other factors which may tend to make the environment less desirable. The site plan should respect the need for privacy of adjacent residents.**

Project interior and outdoor areas would be exposed to noise associated with the beach area, including traffic, the Boardwalk, and occasional train noise. The project will require building permits which in turn have noise insulation features consistent with building code requirements to bring noise levels within acceptable compatibility standards. The site is separated from most adjacent uses by surrounding streets and the hotel use will not create noise impacts. Construction of the project would create temporary increases in noise levels, and conditions of approval to mitigate construction noise have been included.

16. **Signs shall complement the site plan and avoid dominating the site and/or existing buildings on the site or overwhelming the buildings or structures to which they are attached. Multiple signs on a given site should be of a consistent theme.**

Conceptual signage shown on the plans complements the buildings. A condition of approval requires a separate sign permit when more detailed signage plans are developed.

Design permit criteria for the issuance of a sign permit will ensure that the signs complement the hotel and surrounding area.

- 17. Building and structures shall be so designed and oriented to make use of natural elements such as solar radiation, wind, and landscaping for heating, cooling and ventilation.**

The proposed building will be designed to meet and exceed the City's Green Building Program requirements. Some project details already included in the design include solar panels for pool and spa heating and landscaping bio-swales. Additional conditions of approval have been added as mitigations measures, including the incorporation of high efficiency water and energy-saving plumbing fixtures and appliances.

- 18. The site plan shall incorporate water-conservation features where possible, including in the design of types of landscaping and in the design of water-using fixtures. In addition, water restricting shower heads and faucets shall be used, as well as water-saving toilets utilizing less than three gallons per flush.**

The building will require issuance of a building permit and water-saving elements will be required consistent with the City's Water Conservation Ordinance.

- 19. In all projects in Industrial (I) Zones, building design shall include measures for reusing heat generated by machinery, computers and artificial lighting.**

Not applicable.

- 20. In all projects in Industrial (I) Zones, all buildings and structures shall be so designed and oriented to make use of natural lighting wherever possible.**

Not applicable.

- 21. Heating systems for hot tubs and swimming pools shall be solar when possible but in all cases energy efficient.**

The project includes solar panels for pool and spa heating.

- 22. Enhance the West Cliff Drive streetscape with appropriate building mass, modulation, articulation, coloring and landscaping that is compatible with and would not diminish the visual prominence of the public open space.**

Not applicable.

With respect to the Coastal Permit, Section 24.08.250

- 23. The development is consistent with the General Plan, the Local Coastal Land Use Plan and the Local Coastal Implementation Program.**

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The proposed hotel project is consistent with the City General Plan, Local Coastal Plan and adopted Beach/South of Laurel Area Plan which call for Regional Visitor Commercial uses on the project site which is located on a primary arterial in the City's beach-tourist area. The Beach/South of Laurel Area Plan was adopted in 1998 and specifically studied various sub-areas. The policies pertinent to the proposed project are consistent with the City's updated General Plan adopted in June 2012. This Area Plan discussed the need for improvement of motel and hotel facilities and the need for meeting space to attract more overnight and off-season visitors. The project is consistent with the following General Plan Land Use policies:

Economic Development Policy 1.41

Support the development of a new conference center, evaluate the contribution it would make in attracting visitors, and consider opportunities to link such a facility to a performing arts center.

Economic Development Policy 1.5

Encourage the development of new lodging facilities, particularly those targeting a higher-end market and those providing additional visitor amenities.

Economic Development Policy 1.5.1

Encourage the development of facilities that would accommodate conferences and conference-goers in conjunction with existing or new hotel development.

Economic Development Policy 1.5.2

Attract a top-end, full-service hotel to expand and improve the year-round conference segment of the tourism market.

The project is consistent with the following Local Coastal Plan Land Use policies:

Land Use Policy 2.7.2

Improve the character and quality of visitor-serving commercial areas to encourage more off-season and overnight visits.

Economic Development Policy 5.2

Encourage upgrades of existing hotel facilities and attract quality hotel and conference facilities in locations and scale appropriate to the City's character to enhance the quality of visitor-serving areas and promote development of the conference tourism market.

Economic Development Policy 5.2.1

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Encourage the development of facilities that would help accommodate conference users in conjunction with existing hotels or new hotel development.

Economic Development Policy 5.2.2

Investigate the attraction of a top-end, full-service hotel to expand and improve the year-round conference segment of the tourism market.

The project is consistent with the Beach and South of Laurel Comprehensive Area Plan policies:

Land Use Policy 2.6

Provide significant opportunities for Beach Commercial area redevelopment of underutilized land that will provide attractive retail, entertainment, lodging and support uses that will appropriately extend the operational activities of the Beach.

Land Use Policy 2.16

The La Bahia shall be redeveloped as a visitor accommodation use available to the general public. If the La Bahia is converted to visitor-serving condominiums in order to fund the renovation project, restrict use of the condominiums by individual owners to no more than 45 days per year.

The project is consistent with the Beach and South of Laurel Comprehensive Area Plan Design Guidelines Beach Commercial Area Goals and Objectives:

Recapture the former Ocean Resort grandeur, character and scale through intensification of tourist-oriented development that promotes year-round activities in the Beach area.

Encourage improvements to lodging facilities, including development of a quality, full-service, hotel conference facility and redevelopment of older facilities.

24. Maintain views between the sea and the first public roadway parallel to the sea;

Not applicable due to the location of the project north of Beach Street.

25. The project protects vegetation, natural habitats and natural resources consistent with the Local Coastal Land Use Plan;

The project site does not include any natural areas.

- 26. The project is consistent with any applicable design plans and/or area plans incorporated into the Local Coastal Land Use Plan;**

The proposed building design is consistent with the Beach/South of Laurel Area Plan and associated design guidelines which call for Spanish Colonial Revival style buildings. The proposed project includes preservation and rehabilitation of the existing southeastern bell tower building, which is a Spanish Colonial Revival style. The architecture of the new portions of the proposed building is Spanish Colonial Revival style that incorporates white stucco walls with red tile roofs, but is differentiated from the retained historic portion of the building to avoid false historicism. The project design strives to emulate many of the design details from the existing La Bahia buildings. Elements include balconies, some bay windows, ornamental glazed tiles, decorative iron work, trellises, parapet walls with a cast stone parapet cap, and terra cotta tile roofs to match the original roof color.

- 27. The project maintains public access to the coast along any coastline as set forth in the Local Coastal Land Use Plan;**

This finding is not applicable due to project location across Beach Street from the public beach and wharf.

- 28. The project is consistent with the Local Coastal Land Use Plan goal of providing visitor-serving needs as appropriate;**

The project replaces a 44-unit apartment building, a low priority Coastal Zone use, with a large full-service hotel (high priority Coastal Zone use). The Beach/South of Laurel Area Plan was adopted in 1998 and specifically studied various sub-areas. This Plan discussed the need for improvement of motel and hotel facilities and the need for meeting space to attract more overnight and off-season visitors.

The following General Plan/Local Coastal Plan policies recognize the over-supply of lower quality visitor-serving motels in the City and encourage improvement of the hotel stock, and the development of a range of quality visitor-serving accommodations.

Economic Development Policies

5.2 Encourage upgrades of existing hotel facilities and attract quality hotel and conference facilities in locations and scale appropriate to the City's character to enhance the quality of visitor-serving areas and promote development of the conference tourism market.

5.2.1 Encourage the development of facilities that would help accommodate conference users in conjunction with existing hotels or new hotel development.

5.2.2 Investigate the attraction of a top-end, full-service hotel to expand and improve the year-round conference segment of the tourism market.

5.2.3 Assess the impact of an over-supply of inferior hotel/motel rooms and develop incentives to encourage owners to upgrade existing hotel/motel facilities while also ensuring the retention of moderately-priced accommodations.

It should be noted that one project condition requires the hotel operator to contribute to the operation of a beach shuttle on a fair share basis. The "fair share shuttle contribution" project condition assures that the La Bahia Hotel project will contribute toward future beach shuttle programs.

- 29. The project is consistent with the Local Coastal Land Use Plan goal of encouraging coastal development uses as appropriate.**

The proposed hotel is consistent with coastal land use plan policies and zoning for the site, which is on a primary access road to the beach and Boardwalk visitor area and adjacent to several other motels. The Beach/South of Laurel Area Plan was adopted in 1998 and specifically studied various sub-areas. This Plan discussed the need for improvement of motel and hotel facilities and the need for meeting space to attract more overnight and off-season visitors. The project site is considered one of the City's premier sites for a full-service hotel with conference facilities.

With respect to Shoreline Protection Overlay District Review Criteria, Section 24.10.2430

- 30. The project protects trees and vegetation and sensitive wildlife habitat.**

The project site does not include any natural areas or heritage trees.

- 31. The project is consistent with the following criteria for bluff or cliff development:**

- The development is sited and designed to assure stability and structural integrity of its expected economic life span and minimize alterations to natural land forms.
- The development will not create or contribute significantly to problems of erosion or geologic instability on the site or on surrounding geologically hazardous areas.
- The development minimizes alteration of cliffs, bluff tops, faces or bases, and will not interfere with sand movement.
- The development which proposes use of retaining walls shall be allowed only to stabilize slopes. Sea walls at the toe of sea cliffs to check marine erosion shall be allowed only where there is no less environmentally damaging alternative.
- The development within one hundred feet of any cliff or bluff line shall follow the recommendations of an approved geologic report by a registered geologist.

The area where such a report is required may be increased where the issue of slope stability requires a greater distance from any cliff or bluff line.

Not applicable. The project is not located near a coastal bluff. The project site is located in an area classified as having a high potential for liquefaction. To mitigate liquefaction settlement and lateral spreading, the project geotechnical engineer has recommended vibro-displacement stone columns as an alternative to drilled piers, which can be used to densify the soil, increase bearing capacity, and provide liquefaction mitigation. Recommendations presented in the geotechnical report will be required to be followed as part of the foundation and structural design of the hotel.

- 32. The project provides maximum erosion protection, using accepted engineering practices and other methods and specifications set forth in this title;**

The project site does not contain steep slopes. Erosion control measures will be required as part of the grading permit. Plans submitted for building permits will be required to demonstrate compliance with the revised Chapter 6B of the City's Best Management Practices Manual—Storm Water BMPs for Private and Public Development Projects. Required documentation will include a Storm Water Control Plan following the guidance in Chapter 6B demonstrating compliance with the water quality treatment and runoff retention requirements, and an Operation and Maintenance Plan for stormwater control measures incorporated in to the project design. Site plans shall contain notes and details on stormwater control measures incorporated in the project design.

- 33. The project maintains public view corridors between the sea and the first public roadway parallel to the sea and maintain natural views of the coastline;**

Not applicable because of the project location north of Beach Street.

- 34. The project protects paleontological resources as prescribed in the Land Use Plan;**

The site is not located within a mapped sensitive paleontological area. A condition of approval requires work to be stopped in the unlikely event that resources are discovered during construction.

- 35. Protect and enhance free public access to or along the beach, and sign such access when necessary;**

The project facilitates public use and enjoyment of free public access opportunities in close proximity to the Wharf, Boardwalk, Marine Sanctuary Visitor Center, and West Cliff Drive Path by providing overnight accommodations.

- 36. Include mitigation measures prescribed in any applicable environmental document;**

The mitigation measures prescribed by the EIR have been included as conditions of approval.

37. The project is compatible with the established physical scale of the area.

The hotel will be stepped up the slopes from Beach Street to First Street, with an enclosed and partially underground parking garage that is hidden from view. From most vantage points, the building generally appears as a three-story building, which is consistent with other three-story buildings in the neighborhood. The overall scale as seen from adjacent areas would not appear massive in relation to other existing buildings in the area. Additionally, the overall building mass is broken up by architectural treatments, including punched-out windows, decks, trellises and overhangs. Thus, the project's mass and scale would not be out of character with the immediate area.

38. The project is consistent with the design review guidelines of this title and the policies of any applicable area plan.

The proposed building design is consistent with the Beach/South of Laurel Area Plan design guidelines, which call for Spanish Colonial Revival style buildings. The proposed project includes preservation and rehabilitation of the existing southeastern bell tower building which is a Spanish Colonial Revival style. The architecture of the new portions of the proposed building is Spanish Colonial Revival style that incorporates white stucco walls with red tile roofs, but is differentiated from the retained historic portion of the building to avoid false historicism. The project design strives to emulate many of the design details from the existing La Bahia buildings. Elements include balconies, some bay windows, ornamental glazed tiles, decorative iron work, trellises, parapet walls with a cast stone parapet cap, and terra cotta tile roofs to match the original roof color.

39. The project is consistent with the policies of the Local Coastal Program, the General Plan, and the California Coastal Act.

The proposed hotel project is consistent with the City General Plan, Local Coastal Plan and adopted Beach/South of Laurel Area Plan which call for Regional Visitor Commercial uses on the project site which is located on a primary arterial in the City's beach-tourist area. The Beach/South of Laurel Area Plan was adopted in 1998 and specifically studied various sub-areas. The policies pertinent to the proposed project are consistent with the City's updated General Plan adopted in June 2012. This Area Plan discussed the need for improvement of motel and hotel facilities and the need for meeting space to attract more overnight and off-season visitors.

With respect to the Special Use Permit, Section 24.08.050

40. The proposed structure or use conforms to the requirements and the intent of this title, and of the General Plan, relevant area plans, and the Coastal Land Use Plan, where appropriate;

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The proposed hotel project is consistent with the City General Plan, Local Coastal Plan and adopted Beach/South of Laurel Area Plan, which call for Regional Visitor Commercial uses on the project site, which is located on a primary arterial in the City's beach-tourist area. The Beach/South of Laurel Area Plan was adopted in 1998 and specifically studied various sub-areas. This Plan discussed the need for improvement of motel and hotel facilities and the need for meeting space to attract more overnight and off-season visitors. With approval of a Special Use Permit, a 10-percent reduction of parking space requirements may be allowed for cooperative parking facilities. The project provides 210 parking spaces in underground and partially underground parking garage levels. This is sufficient off-street parking with approval of a 10-percent reduction (27 spaces) in parking for non-auto use programs, and 10-percent reduction for cooperative parking facilities (27 spaces), and use of valet parking (49 spaces). Such parking reductions recognize the joint use of hotel room, restaurant and meeting room facilities by hotel patrons.

41. **That any additional conditions stipulated as necessary in the public interest have been imposed;**

No additional conditions are necessary in regard to this parking reduction.

42. **That such use or structure will not constitute a nuisance or be detrimental to the public welfare of the community; and**

The parking demand accounts for all uses at the hotel site, which qualifies it for a reduction for cooperative parking. The shared use/cooperative parking facilities reduction accounts for the parking facilities at a single site being used for multipurpose trips being made to the site (i.e., visitors who stay at the hotel and attend a conference, visit the spa and/or eat at the restaurant), as well as trips being made to individual uses at different times of the day or week. The parking reduction will not cause a nuisance as an independent parking study has verified that the proposed parking will be sufficient for the project.

43. **That all thrift store uses shall include a management plan that identifies collection facilities for donated items, operating hours for donation facilities which discourage unsupervised drop-offs, adequate storage areas for sorting the materials, and provides a plan to properly dispose of unusable items in a timely, secure, and orderly fashion and maintains premises in a clean and attractive condition.**

Not applicable.

With respect to the Residential Demolition Authorization Permit, Section 24.08.1330

44. **The building is not subject to the provisions of Part 11 (regarding Historic Demolition Permits) of this chapter, or that the demolition or conversion has been approved pursuant to the procedures set forth in Part 11; and**

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A Historic Demolition Permit is one of the permit entitlements requested as part of the project and has been processed in accordance with procedures set forth in Part 11 of the Zoning Ordinance. The Historic Preservation Commission has made a recommendation to the City Council regarding this permit and the City Council has approved this permit.

45. **The project which will replace the demolished or converted unit(s) has been approved by the city, and an appropriate building permit has been issued; unless no building permit is required or some other practical hardship can be documented rendering this finding inappropriate; and**

In 2002, a 71-unit single-room occupancy apartment project was constructed by the applicant at 401 Pacific Avenue. The 44-unit apartment project at the project site will be replaced by a large hotel building which is a coastal-related use consistent with the General Plan and zoning for the property. Low-moderate income replacement housing will be required in accordance with the City ordinance and provided at the existing 401 Pacific Avenue project. The applicant is required to either provide replacement housing or demonstrate no substantial adverse impact on housing opportunities for low or moderate income households pursuant to Zoning Code section 24.08.1360. The applicant built the replacement housing at 401 Pacific Street, but also has continued to use the site for rental housing since it did not construct the project approved in 2009. Accordingly, the replacement housing that has been built satisfies the City's requirements.

46. **The building is not in the coastal zone, or, if it is in the coastal zone, is being replaced by a residential use or a nonresidential coastal-dependent use as defined by Section 30101 of the Public Resources Code; and**

The 44-unit apartment use will be replaced by a large hotel building which is a coastal-related, visitor-serving use consistent with the General Plan and zoning for the property.

47. **Relocation assistance has been provided to eligible tenants consistent with Section 24.08.1350; or**

A project condition requires relocation assistance in accordance with this section of the zoning ordinance.

48. **The building which is in the coastal zone and is being replaced by a nonresidential use which is not coastal-dependent as defined in Section 30101 of the Public Resources Code, is located where residential use is no longer feasible, but will not be issued a demolition permit or building permit in connection with the conversion until the applicant has entered into an agreement to provide relocation assistance and replacement housing or in-lieu fees consistent with Sections 24.08.1350 and the applicable portions of Sections 24.08.1360 and 24.08.1370 of this chapter.**

The 44-unit apartment use will be replaced by a large hotel building which is a coastal-related, visitor-serving use consistent with the General Plan and zoning for the property.

A demolition permit for the project will not be issued until the applicant has entered into an agreement to provide relocation assistance and replacement housing consistent with Sections 24.08.1350 and applicable portions of Sections 24.08.1360 and 24.08.1370 of the City zoning ordinance.

Section 66412(d) of the California Government Code regarding Boundary Adjustments

- 49. No additional building sites or parcels shall be created as a result of the Boundary Adjustment.**

The proposed Boundary Adjustment will not result in the creation of any additional parcels or building sites. Two parcels were in existence prior to the Boundary Adjustment and only one will remain after the adjustment is complete.

- 50. No Boundary Adjustment shall be approved unless it is consistent with the General Plan, Specific Plan, and Local Coastal Program (where applicable). A Boundary Adjustment shall be deemed to be consistent with parcel size requirements if it complies with the minimum parcel size required by the zoning designation.**

The boundary adjustment consists of combining two existing parcels and will meet the minimum parcel size of the underlying zoning, thereby being consistent with the General Plan, Local Coastal Program, and Beach/South of Laurel Area Plan.

- 51. No Boundary Adjustment shall be approved that will result in a violation of the Santa Cruz Municipal Code.**

The proposed lot line adjustment will not result in a violation of the Santa Cruz Municipal Code.

With regard to Demolition of Buildings Listed in the Historic Building Survey, and with regard to Demolition of Designated Historic Landmarks, Section 24.08.1014

- 52. The action proposed is consistent with the purposes of historic preservation as set forth in Section 24.12.400 of this title and in the Cultural Resources Element of the General Plan; or**

Preservation of the historic La Bahia bell tower buildings within an overall hotel project would be consistent with the purposes of historic preservation. Section 24.12.400 states that purposes of historic preservation are as follows: (1) designate, preserve, protect, enhance, and perpetuate those historic structures, districts, and neighborhoods contributing to cultural and aesthetic benefit of Santa Cruz; (2) foster civic pride in the beauty and accomplishments of the past; (3) stabilize and improve the economic value of certain historic structures, districts, and neighborhoods; (4) protect and enhance the city's cultural, archaeological and aesthetic heritage; (5) promote and encourage continued private ownership and use of such buildings and other structures now so owned and used,

to the extent that the objectives listed above can be obtained under such policy; and (6) serve as part of the Local Coastal Implementation Plan for the Coastal Program.

Regarding purpose 1, the project preserves, protects, and enhances the historic bell tower building. The new portions of the project complement La Bahia's Spanish Colonial Revival style and meet the Secretary of the Interior's requirements for additions to historic buildings, which enhances the portions of the project that will be preserved. The proposed project includes the rehabilitation and restoration of the building at the southeast corner, including the existing bell tower, and the rehabilitation of the southeast apartment units. The bell tower will be structurally upgraded. In addition, historic elements of the tower will be repaired, including decorative tile features, the terracotta clay tile roof, and stucco finishes. The tower element and existing stairs will be retained. The existing eight apartment units at the southeast corner of the site along Beach Street will be maintained and rehabilitated into guest rooms. The exterior walls and primary structural bearing walls will be maintained and will be structurally upgraded with new shear plywood and required seismic upgrades. The exterior finishes (stucco, terracotta clay tile roof, eave details, balcony, etc.) will be repaired. The exterior wall configuration, fenestration, and entry gates also will be maintained and rehabilitated.

Regarding purpose 2, the project will help restore the beach front to its historic grandeur, which will foster civic pride in the accomplishments of the past.

Regarding purpose 3, the project also will stabilize and improve the economic value of the property and the beach front area. Images included with the historic report prepared for this project indicate that the buildings are deteriorating, and have cracked plaster, damage to much of the original metalwork and light fixtures, and loss of some of the original, character-defining wooden doors and windows. The project will replace some of the deteriorating buildings with new, safe buildings, which will enable the owner to preserve and rehabilitate the historic bell tower and southeastern building. According to the Beach and South of Laurel Plan, such redevelopment of the Property will improve economic values in the area by providing year-round support for existing businesses, attract additional quality investment to the area, and expand the operational season of the Beach.

Regarding purpose 4, the project will protect and enhance the City's aesthetic heritage by allowing the preservation and rehabilitation of the bell tower and providing a new project that takes cues from the Spanish Colonial Revival style of the existing buildings and other historic beach front properties.

Regarding purpose 5, the project promotes and encourages continued private ownership of the property because it allows a new, financially feasible use on the property. As discussed above, and documented in the report by Economic & Planning Systems, Inc. (EPS), an economic consulting firm, it would be economically infeasible for the owner to fully preserve and rehabilitate the property absent the ability to demolish some buildings and construct new buildings.

Regarding purpose 6, the project is fully consistent with the Local Coastal Implementation Plan.

53. The applicant has demonstrated that the action proposed is necessary to correct an unsafe or dangerous condition on the property pursuant to Section 24.08.1040; or

Biggs Cardosa Associates, an independent consulting firm under contract with the City, reviewed the existing buildings and evaluated their structural deficiencies. According to the Biggs Cardosa report, portions of the building, including an elevated walkway in the southwestern quadrant, have failed due to deterioration and age over the years, suggesting that the buildings are unsafe. Further, the existing buildings do not meet current building code, which provides the City's safety threshold and the standards by which building officials determine buildings to be unsafe. The Biggs Cardosa report stated that the roof and floor sheathing does not have adequate diaphragm strength. The concrete foundations also are not up to code and lack reinforcing, which means that they lack tensile strength and will be prone to cracking, crumbling, and failure in a seismic event. These foundations also do not provide adequate safety because of the liquefaction potential of the site's soil. As discussed above, correcting these safety issues would negatively impact the buildings' character defining features and would be technically difficult and costly.

EPS concluded, and the City agrees, that it would be financially infeasible to bring the buildings to an acceptable level of safety, whether used as a hotel, rental units, or condominiums. EPS's report also suggests that no prudent lender would provide the applicant with a loan to undertake improvements absent the financial returns provided by the hotel. If the project is not approved, the buildings would continue to deteriorate and become increasingly unsafe. Thus, the project is necessary to allow the owner to address the safety issues in the historic bell tower and southeastern building that will be retained.

54. The applicant has demonstrated the denial of the application will result in immediate and substantial economic hardship; or

The Project EIR includes the applicant's demolition rationale and cost estimates and an independent review of the rationale and estimates by Biggs Cardosa Associates, a structural engineering firm with historic rehabilitation experience. The independent review concludes that with a site that has significant liquefaction constraints, retrofitting the historic buildings would require extensive modifications on the foundation and structural systems. After exploration of the economic, structural, and technical issues involved in rehabilitating and converting the existing buildings from a residential use to a hotel use, the developer has determined, and the City agrees, that such a project is financially infeasible. Economic & Planning Systems, Inc. (EPS) completed an economic analysis of the project and alternatives and determined that preservation would be financially infeasible. Of particular note is the fact that, as set forth in an EPS memorandum to Juliana Rebagliati dated July 18, 2014, and entitled, "La Bahia Residential Alternative Feasibility Analysis," residential use of the existing apartment

complex is not economically feasible. Whether the property were used for apartments or condominiums, the landowner could not recoup through rents or sales the investments needed to make the property habitable. In fact, there would be a negative rate of return. Because the current use of the property does not provide a positive economic return for the landowner, denial of the application will result in immediate and substantial economic hardship for the landowner.

55. There are no reasonable alternatives to the demolition as of the time of the hearing.

The Historic Preservation Commission recommended approval of this permit which allows demolition of the historic La Bahia buildings. The City Council considered their recommendation as well as the recommendation of the Planning Commission. The City Council also considered the environmental information, the structural and cost estimates report by Biggs Cardosa and reports by EPS. Biggs Cardosa concluded that with a site that has significant liquefaction constraints, retrofitting the historic buildings would require extensive modifications on the foundation and structural systems. This exploration of the structural and technical issues involved in rehabilitating and converting the existing buildings from a residential use to a hotel use, indicate that the structural modifications could significantly impact the buildings' character defining features. For example, the buildings need a new foundation. According to the Biggs Cardosa report, the temporary support of the existing structures during the foundation removal and installation of new foundations is likely to damage existing finishes. That report also found that removal of the majority of the existing finishes would be required to retrofit the building. That removal could damage the finishes, including elements that are integral to the buildings' historic significance. In addition, EPS completed an economic analysis of preserving the buildings and determined that preservation, particularly in light of the extensive foundation and structural work that would be required to bring the buildings to current safety standards would generate a negative economic return and therefore would be financially infeasible.

The City Council has considered evidence related to the feasibility of preserving the La Bahia buildings and has determined that full preservation is not feasible and therefore there is no reasonable alternative to demolition. Demolition of the majority of the existing buildings is necessary to allow preservation and rehabilitation of the bell tower and prevent continued deterioration and loss of integrity in this character-contributing element of the La Bahia.

With regard to delisting the La Bahia site from the City Historic Building Survey, Section 24.12.420

- 56. The proposed landmark has or no longer has significant aesthetic, cultural, architectural, or engineering interest or value of a historic nature.**

The La Bahia buildings have deteriorated over time. The proposed project includes preservation and rehabilitation of the existing southeastern bell tower building, which is a Spanish Colonial Revival style. The new portions of the proposed project will utilize design elements common to the Spanish Colonial Revival style of the historic buildings. As part of the Project EIR, Biggs Cardosa Associates, an independent consulting firm under contract with the City, reviewed building conditions and structural requirements for the project. The independent review concludes that with a site that has significant liquefaction constraints, retrofitting the historic buildings would require extensive modifications on the foundation and structural systems. After exploration of the economic, structural, and technical issues involved in rehabilitating and converting the existing buildings from a residential use to a hotel use, the developer has determined that such a project is financially infeasible. Economic & Planning Systems, Inc. (EPS) completed an economic analysis of the project and alternatives and determined that preservation would be financially infeasible. The City Council has considered evidence related to the feasibility of preserving the La Bahia buildings and has determined that such preservation is not feasible, as EPS has concluded. Absent full preservation, the La Bahia lacks the historic value required to be a listed resource.

- 57. The designation or deletion of the landmark is consistent with the purposes and criteria of the City's historic preservation policies set forth in Section 24.12.400 of the zoning ordinance, and the Cultural Resources Element of the General Plan.**

Preservation of the historic La Bahia buildings within an overall hotel project would be consistent with the purposes of historic preservation. As part of the Project EIR, however, Biggs Cardosa Associates, an independent consulting firm under contract with the City, reviewed building conditions and structural requirements for the project and determined that, because the site that has significant liquefaction constraints, retrofitting the historic buildings would require extensive modifications on the foundation and structural systems. After exploration of the economic, structural, and technical issues involved in rehabilitating and converting the existing buildings from a residential use to a hotel use, the developer has determined that such a project is financially infeasible. Economic & Planning Systems, Inc. (EPS) completed an economic analysis of the project and alternatives and determined that preservation would be financially infeasible. The City Council has considered evidence related to the feasibility of preserving the La Bahia buildings and has determined that such preservation is not feasible, as EPS has concluded. The hotel project incorporates a portion of the historic tower building, and new portions of the project complement La Bahia's Spanish Colonial, thereby retaining historical features to the extent feasible. The site would not be delisted unless and until a building permit is obtained for demolition and construction of the new hotel project.

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If it is determined by the Historic Preservation Commission that the remaining existing southeastern bell tower building should remain listed on the City Historic Building Survey, then a historic alteration permit and associated findings would apply.

Historic Alteration Permit, Section 24.08.930

58. **The action proposed is consistent with the purposes of historic preservation as set forth in Section 24.12.400 of this title and in the Cultural Resources Element of the General Plan; and one of the following three findings:**

The reasons that the action is consistent with the purposes in Section 24.12.400 are listed above, under finding 52 above.

59. **The project complies with Standards for Rehabilitation approved by the United States Secretary of the Interior; and that the project's:**

- architectural design;
- height and bulk of buildings and structures;
- lot coverage and orientation of buildings;
- color and texture of surface materials;
- grading and site development;
- landscaping;
- changes to natural features;
- antennas, satellite dishes and solar collectors;
- off-street parking, signs;
- light fixtures and street furniture;
- steps, walls, doors, windows, screens and security grills;
- yards and setbacks

protect and preserve the historic and architectural qualities and the physical characteristics which make the building, structure, or property a contributing feature of the landmark, historic building survey building or historic district; or

The proposed rehabilitation of the La Bahia bell tower and southeast apartment units will follow the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. A final review of the building plans will be completed to confirm the rehabilitation is in conformance with the *Secretary of The Interior's Standards for Rehabilitation* in that that historic materials are being (1) preserved where feasible, (2) repaired rather than replaced wither preservation is not feasible, and (3) replaced with appropriate materials where repair is not feasible. In addition, mitigation measures have been incorporated to reduce potential impacts associated with the rehabilitation of the bell tower building. The new buildings also have been designed to meet the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. Per these Standards, the new buildings do not destroy historic materials that characterize the bell tower and are differentiated from the historic bell tower by having different detailing to avoid confusion for the public about what is

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historic and what is new. While differentiated, the new buildings are compatible with the massing, size, scale, and architectural features of the bell tower, protecting the bell tower's historic integrity.

60. **The applicant has demonstrated that the action proposed is necessary to correct an unsafe or dangerous condition on the property pursuant to Section 24.08.940; or**

This finding is addressed in finding 53 above.

61. **The applicant has demonstrated that denial of the application will result in immediate and substantial economic hardship that denies the applicant the ability to make reasonable beneficial use of the property or the ability to obtain a reasonable return from the property.**

This finding is addressed in finding 54 above.

Administrative Use Permit Findings, Section 24.08.050

62. **The proposed use conforms to the requirements and the intent of this title, and of the General Plan, relevant area plans, and the Coastal Land Use Plan, where appropriate.**

The proposed restaurant and meeting/banquet space would operate primarily as a hotel amenity. An eating and drinking establishments with live entertainment and alcohol service would conform to the RTC zone requirements with the issuance of an Administrative Use Permit. The proposed use in conjunction with the hotel is appropriate and is consistent with the City General Plan, Local Coastal Plan and adopted Beach/South of Laurel Area Plan which call for Regional Visitor Commercial uses on the project site which is located on a primary arterial in the City's beach-tourist area. The Beach/South of Laurel Area Plan was adopted in 1998 and specifically studied various sub-areas. The policies pertinent to the proposed project are consistent with the City's updated General Plan adopted in June 2012. This Area Plan discussed the need for improvement of motel and hotel facilities and the need for meeting space to attract more overnight and off-season visitors.

63. **That any additional conditions stipulated as necessary in the public interest have been imposed.**

Standard and additional conditions including specified hours, security plan details, surveillance cameras, and Responsible Beverage Service training, will prevent the use from becoming a nuisance.

64. **That such use will not constitute a nuisance or be detrimental to the public welfare of the community.**

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The proposal to sell alcoholic beverages will not constitute a nuisance or be detrimental to the public welfare of the community because the sales will be in conjunction within a bonafide restaurant.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz, that Permit Application No. CP13-0059 requesting approval of the project is hereby approved subject to the Conditions of Approval attached hereto as Exhibit "A".

PASSED AND ADOPTED this 9th day of September, 2014, by the following vote:

AYES: Councilmembers Bryant, Terrazas, Comstock, Mathews, Posner; Vice Mayor Lane; Mayor Robinson.

NOES: None.

ABSENT: None.

DISQUALIFIED: None.

APPROVED: 
Mayor

ATTEST: 
City Clerk Administrator

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CONDITIONS OF APPROVAL FOR THE PROJECT ON PROPERTY AT

215 Beach Street; Application No. CP13-0059

Residential Demolition Authorization Permit, Historic Demolition Permit, Historic Alteration Permit, Historic Building Survey Deletion, Planned Development Permit to allow for an increase in building height, a reduction in first floor ceiling heights and to allow tandem parking spaces as part of a valet program, Coastal Permit, Design Permit, Administrative Use Permit, Special Use Permit, Development Agreement, and a Boundary Line Adjustment, to demolish an existing 44-unit residential complex except for a portion of the southeast building containing the bell tower, and construct a 165-room hotel with conference and banquet space, restaurant, retail space, spa facilities and partially underground garage in the RTC/CZO/SPO zone district. (Environmental Determination: EIR)

1. If one or more of the following conditions is not met with respect to all its terms, then this approval may be revoked.
2. All plans for future construction which are not covered by this review shall be submitted to the City Planning and Community Development Department for review and approval.
3. In accordance with the Development Agreement approved for the project, the building permit for the project must be obtained within five (5) years and the project construction shall be completed and an occupancy permit shall be obtained within ten (10) years of the date of final approval of this zoning permit.
4. The use shall meet the standards and shall be developed within limits established by Chapter 24.14 of the Santa Cruz Municipal Code as to the emission of noise, odor, smoke, dust, vibration, wastes, fumes or any public nuisance arising or occurring incidental to its establishment or operation.
5. The applicant shall be responsible for the completeness and accuracy of all forms and supporting material submitted in connection with any application. Any errors or discrepancies found therein may result in the revocation of any approval or permits issued in connection therewith.
6. All final working drawings shall be submitted to the Zoning Administrator for review and approval in conjunction with building permit application. The plans submitted for building permits shall have the same level of articulation, detailing, and dimensionality as shown in the approved plans. All approved exterior finishes and materials shall be clearly notated on the building permit plans.
7. The applicant and contractor who obtains a building permit for the project shall be required to sign the following statement at the bottom of these conditions, which will become conditions of the building permit:

"I understand that the subject permit involves construction of a building (project) with an approved Design Permit. I intend to perform or supervise the performance of the work allowed by this permit in a manner which results in a finished building with the same level of detail, articulation, and dimensionality

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shown in the plans submitted for building permits. I hereby acknowledge that failure to construct the building as represented in the building permit plans, may result in delay of the inspections process and/or the mandatory reconstruction or alteration of any portion of the building that is not in substantial conformance with the approved plans, prior to continuation of inspections or the building final."

Signature of Building Contractor

Date

8. The development of the site shall be substantially in accordance with the approved plans prepared by LMS Architects dated September 20, 2013, submitted and on file in the Department of Planning and Community Development of the City of Santa Cruz. All aspects of construction must be completed prior to occupancy. Major modifications to plans or exceptions to completion may be granted only by the City Council which approved the project.
9. The property owner agrees as a condition and in consideration of the approval of this discretionary development permit that it will, pursuant to agreement and/or statutory provisions as applicable, including but not limited to Government code Section 66474.9, defend, indemnify and hold harmless the City of Santa Cruz or its agents, officers and employees from any claim, action or proceeding against the City or its agents, officers or employees to attack, set aside, void or annul this approval, which action is brought within the time period provided for under law, including but not limited to, Government Code Section 66499.37, as applicable. The property owner will reimburse the City for any court costs and attorney's fees, which the City may be required by a court to pay as a result of such action. City may, at its sole discretion, participate in the defense of such action; but such participation shall not relieve applicant of his obligations under this condition. An agreement to this effect shall be recorded upon demand of the City Attorney or concurrent with the issuance of building permits, use of the property, filing of the final map, whichever occurs first and as applicable. The City shall promptly notify the property owner of any such claim, action or proceeding and the City shall cooperate fully in the defense thereof. If the City fails to promptly notify the property owner of any such claim, action or proceeding or fails to cooperate fully in the defense thereof, the property owner shall not thereafter be responsible to defend, indemnify or hold the City harmless.
10. All refuse and recycling activities during construction shall be done in accordance with Chapter 6.12 of the Santa Cruz Municipal Code. Be aware that private companies offering refuse or debris box services are not allowed to operate within the City limits, except under certain limited circumstances detailed in Chapter 6.12.160.
11. All requirements of the Building, Fire, Public Works and Water Departments shall be completed prior to occupancy.

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12. Handicap accessibility shall be provided in accordance with Uniform Building Code, as determined by the Building Official.
13. The final design of the refuse facilities shall approved by the Public Works Department.
14. Final building plans shall include underground fire service plans, a standpipe system, fire sprinkler system plans, and fire alarm system plans.
15. Prior to issuance of a building permit for the project, the applicant shall pay required traffic impact fees, unless phased or deferred payment terms are approved by the Planning and Public Works Directors.
16. Curbs, gutter, sidewalks and streetlights shall be repaired or replaced, as determined by the Public Works Department, prior to final inspection of the new building.
17. An exterior lighting plan shall be submitted for approval by the Zoning Administrator prior to issuance of a building permit. The exterior lighting plan shall be consistent with the Beach and South of Laurel Design Guidelines by indicating that adequate security will be provided, while minimizing excessive off-site glare.
18. Final building plans shall indicate that Energy Star labeled laundry facilities will be used in the development. The pool and spa shall either include energy-efficient equipment or solar power. If solar power is used, the solar collectors shall be place behind a roof parapet in a manner that is not visible from the adjacent streets, beach or wharf.
19. A final landscaping plan shall be submitted for review and approval by the Zoning Administrator and Water Conservation department with the building plans, and shall be consistent with the preliminary landscape plan.
20. All landscaping shall be installed prior to final utility release or issuance of occupancy permits. Subsequent to occupancy of the premises, all landscaping shall be permanently maintained. Such maintenance shall be secured through an 18-month bond or time certificate of deposit prior to occupancy.
21. All utilities and transformer boxes shall be placed underground or in an enclosed utility room unless otherwise allowed after review by the Zoning Administrator. The developer shall agree to participate, on a fair share basis, in a larger scale utility undergrounding project in the area.
22. Building Department conditions include, but are not limited to the following:
 - A building permit is required. All construction shall conform to the California Building Standards Codes as adopted and amended by the City of Santa Cruz.
 - Provide a soils report for this project.
 - Clearly detail all elements of accessibility in accordance with the California Building Code, Chapter 11B on the building permit submittal drawings.
 - Provide complete exit analysis and diagram in the building permit submittal drawings.

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- Clearly indicate the occupancy for each room/space. Note that the means of egress from laundry area (F-1) cannot pass through parking garage (S-2) per CBC 1014.2.
- On site plan, clearly dimension distance from exterior walls to real and assumed property lines, from property lines to centerlines of public streets. Verify exterior wall protection and percentage of openings in accordance with CBC Chapter 7.

23. Fire Department conditions include, but are not limited to the following:

- Addressing – Provide minimum six-inch high building street address numerals in a contrasting color that are clearly visible from the street and separate unit identifications per Santa Cruz Municipal Code Section 18.24.060.
- Exiting – Exiting to meet requirements of California Building and Fire Codes.
- Fire Alarm – Provide fire alarm system per California Fire Code and National Fire Protection Association Standard 72. Obtain a separate permit from the Fire Department.
- Fire Extinguisher – Provide fire extinguishers per California Fire Code and California Code of Regulations, Title 19.
- Fire Sprinklers – Provide fire sprinklers per California Fire Code and National Fire Protection Association Standards. Obtain a separate permit from the Fire Department.
- Knox Box – Provide Knox box with master key system to commercial spaces, common areas, and all utility rooms.
- Signage – Provide signage on main electrical, gas and water shut-offs, sprinkler riser room, fire alarm control room, and elevator machinery room. Minimum 2" white lettering on red background).
- Suppression System – Provide UL-300 hood suppression system and obtain a separate permit from the Fire Department.
- Provide standpipe system per CFC.
- Elevator to meet gurney requirements per CBC 3002.4.
- Provide emergency escape and rescue windows per CRC Section 1029.

24. Police Department conditions include, but are not limited to the following:

- Lighting for the ground level and 2nd floor parking lot – Lighting shall illuminate both parking lots in their entirety.
- Lighting shall be provided on the exterior of the building, illuminating all sides of the building.
- Lighting that covers all entrance and exit points for the building shall be provided.
- Lighting shall be provided for all stairwells at all levels.
- Lighting shall be provided for the courtyard and pool area.
- Security cameras shall be provided for the ground level and 2nd floor parking lots, covering both parking lots in their entirety.
- Security cameras shall be provided for all interior and exterior stairwells covering all levels.
- Security cameras shall be provided to cover ingress and egress into the parking lots.
- Security cameras shall be required in the courtyard, bike parking area, lobby, and exterior corners covering all sides of the building.
- Security cameras shall be provided covering the hallways and enclosed breezeway (all levels).

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- All security cameras must have recording capabilities and the recordings must be accessible to police within 24 hours.
 - All entrance and exit points (vehicle and pedestrian) into the building shall have measures in place prohibiting non-guests from entering.
 - Planters, foliage, and railings shall not obstruct the view along the entire sides of the building in a manner that allows persons to hide or conceal themselves from view from any adjacent streets. The building façade along the street level should not create a view obstruction for law enforcement or emergency personnel.
 - Design of the planter areas and any type of raised areas on the exterior of the building needs to be designed to prevent and deter illegal skateboarding.
 - All plants, shrubs, and trees need to be trimmed up to a level that will allow unobstructed visibility to business' storefront from the street.
 - No Smoking signs shall be clearly posted.
 - Business hours for the restaurant and bar shall be 6:00am to 10:00pm.
 - A trespass letter shall be obtained from the Police Department to assist officers in addressing criminal behavior when it does occur on the premises after hours. The applicant(s) will fill out a trespass letter, which permits Law Enforcement to arrest anyone unlawfully on their property. The trespass letter is valid for one year and must be renewed annually.
25. Public Works Department conditions include, but are not limited to the following:
- Drainage – All drainage shall be captured and contained prior to entering the City right-of-way and cannot sheet flow over the sidewalk or driveway approach. All drain lines entering the public right-of-way shall remain within the lateral projections of the property lines and shall not encroach in front of adjacent property frontages. Show drain inlets on the private property side connect to curb drains per City standard detail. Include notes and City Standard Detail 10 of 23 on the plans.
 - Driveway (Type A) – Install a Type "A" driveway approach per City standard detail. Include notes and City Standard Detail 9 of 23 on the plans.
 - Grease Storage – Food service facilities are required to store their grease in proper storage containers. Grease storage containers shall not be located inside of the trash enclosure alongside refuse and recycling containers. Provide a separate partitioned room inside the enclosure, an attached exterior room, or a separate grease room inside of the restaurant. Show the proposed grease storage location on the plans.
 - Grease Trap – Prior to beginning any new food service operations, complete and submit a Wastewater Discharge Questionnaire to the City of Santa Cruz Wastewater Treatment Facility at 110 California Street, Santa Cruz, CA 95060. The questionnaire requests information about the proposed food service facility, including the hours of operation, seating capacity, and the types of equipment to be used. The information will be used to determine the size of the grease interceptor or trap that must be installed.
 - Inspection Fee – An inspection fee equal to 6.5 percent of the estimated cost to construct the off-site improvements to be inspected shall be paid to the Public Works Department prior to the issuance of a building permit.
 - Sewer Cleanout – Indicate location of the sanitary sewer lateral on the plans. Lateral shall be SDR 26 from property line to the main per City standard lateral and trench details.

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Provide sewer cleanout capped with a popper in the sidewalk for sanitary sewer lateral per City standard detail. Include notes and City Standard Details 1 and 2 of 23 on the plans.

- Sewer Lateral (Reuse) – If re-using an existing sewer lateral or the portion from the property line to the main in the street, televise existing sewer lateral and provide a DVD to the City for evaluation of its condition prior to issuance of a building permit. Show on the site plan the point of connection of new sewer lateral with the existing lateral. Install new City standard sewer lateral cleanout in sidewalk per City standard detail. Include notes and City Standard Detail 2 of 23 on the plans. All connections to the City main require a separate street opening permit from the Department of Public Works prior to construction by a licensed General A contractor.
- Stormwater – >One Acre - Construction activity resulting in a land disturbance of one acre or more, or less than one acre but part of a larger common plan of development or sale must obtain the Construction Activities Storm Water General Permit (2009-0009-DWQ Permit). Construction activity includes clearing, grading, excavation, stockpiling, and reconstruction of existing facilities involving removal and replacement. Construction activity does not include routine maintenance such as, maintenance of original line and grade, hydraulic capacity, or original purpose of the facility.
- The applicant shall be responsible for filing a Notice of Intent (NOI) with the State Regional Water Quality Control Board (RWQCB) and for developing a Storm Water Pollution Prevention Plan (SWPPP) prior to commencement of any soil disturbing activities at the site. Prior to issuance of a building permit, the applicant shall provide the City with proof of coverage under the State's Construction Activities Storm Water General Permit, including a copy of the letter of receipt and Waste Discharger Identification (WDID) number issued by the State Regional Water Quality Control Board (RWQCB) that acknowledges the property owner's submittal of a complete Notice of Intent (NOI) package.
- Stormwater – Submit a Maintenance Agreement, signed and notarized by the property owner, for all structural Best Management Practices (BMPs) (e.g., oil and sediment traps and storm drain detention system) prior to final inspection of the building permit by the Public Works Department.
- Stormwater Drainage Facilities – New drainage facilities planned for the project shall maintain the difference between the pre-development and post-development runoff rate and meter the outflow so as not to exceed the pre-development discharge rate for a 10-year frequency storm. The new storm drain facilities shall include structural Best Management Practices (BMPs) to capture and detain runoff. Provide drainage calculations to support the proposed design.
- Stormwater LID (Commercial, Tier 3) – Plans submitted for building permits shall demonstrate compliance with the revised Chapter 6B of the City's Best Management Practices Manual – Storm Water BMPs for Private and Public Development Projects – effective March 6, 2014 (available at www.cityofsantacruz.com/LID). The new requirements are tiered based on a site's new and replaced impervious area. For a site creating and/or replacing under 22,500 square feet of impervious area, the requirements include site design, water quality treatment (imp. area > 5,000 SF), and runoff retention (imp. area > 15,000 SF). The following documentation shall be submitted with the project plans to demonstrate compliance with the requirements: (1) a completed Storm Water and Low-Impact Development BMP Requirement Worksheet (see Appendix A), (2) a Storm

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Water Control Plan following the guidance in Chapter 6B demonstrating compliance with the water quality treatment and runoff retention requirements, and (3) an Operation and Maintenance Plan for stormwater control measures incorporated in project design. Site plans shall contain notes and details on stormwater control measures incorporated in the project design.

- Should the project not be able to meet the runoff retention requirement, documentation of technical infeasibility to meet this requirement will need to be provided, including supporting geotechnical information regarding soil infiltration rates, potential for liquefaction, and groundwater elevation. If technical infeasibility is documented, then at least 10% of the equivalent impervious surface area of the project will need to be dedicated to infiltration best management practices.
- Street Light (Standard) - Installation a new LED street light on the property frontage near driveway approach exit on Main Street and at entrance on Westbrook per City standard detail. Indicate location on the plans and include notes and City Standard Detail 20 of 23. Apply to PG&E to remove existing street light on Main Street mounted on wood pole.
- Utility Locations – Show locations of all existing and proposed underground utilities and points of connection for sewer lateral, gas, and water lines on the plans.
- Utility Undergrounding – When providing new electrical service to a parcel, it shall be undergrounded. Indicate the location and the point of connection to the nearest Pacific Gas & Electric (PG&E) facility for the underground power to the property.
- The Preliminary Stormwater Management Report references the Central Coast Regional Water Quality Control Board's Post-Construction Stormwater Management Requirements (PCRs) in determining appropriate storm water treatment measures for the project. We appreciate the proactive efforts of the design team in addressing the new PCRs; however, please note that the State Water Resource Control Board has directed the Central Coast Regional Board to reconsider and re-adopt the PCRs after a new public review process. The Central Coast Regional Board has set the new date for the PCR adoption hearing for July 12, 2013. As a result, the PCRs and their implementation schedule may be amended, which may affect the stormwater management requirements of this project.
- The project will be subject to the PCR requirements. A cursory review of the Preliminary Stormwater Management Report for this project and comparison with the PCRs as currently drafted indicates that the project would not meet the 95th percentile 24-hour rainfall event retention requirement that would apply to it. Documentation of technical infeasibility to meet this requirement would need to be provided, including supporting geotechnical information regarding soil infiltration rates, potential for liquefaction, and groundwater elevation. If technical infeasibility were documented, then at least 10% of the equivalent impervious surface area of the project would need to be dedicated to infiltration best management practices. Adequate infiltration practices include porous pavement not underlain by an impermeable liner or unlined bio-retention facilities and swales. The project would also need to demonstrate that it meets the Site Design (Performance Requirement No. 1) and Water Quality Treatment (Performance Requirement No.2) requirements of the PCRs.
- The new trash areas must be secure from unauthorized entry; a floor drain installed in the slab and connected to the sanitary sewer system; and a hose bib for the purpose of cleaning the interior of the structure. The roll-up door on Westbrook for the compactor must meet

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the minimum height requirement for City truck access for servicing the compactor. Extend the driveway approach on garage entrance to include the compactor roll-up door access. The final trash enclosure design shall be subject to review and approval by the Public Works Department.

26. Water Engineering Department conditions include, but are not limited to the following:
- Parcels must be combined to be served by master water services.
 - Show existing and new water facilities on the utility site plan; include backflow assembly locations for all services and identify with notes, types and sizes for all water facilities. Services and assembly locations shall be approved by SCWD. Existing unused water services shall be noted to be retired by contractor per SCWD Stds.
 - Provide Standard Water Dept Notes on the site plan (available from SCWD).
 - Water and Sewer System Development Charges are paid at the Water Dept.
 - All fees are paid in advance with water service installation permits issued at the Water Dept.
 - Water facility work is completed by approved contractor with Water Dept inspections. Information on the New Water Service Info Form is estimated, final fees and requirements to be determined upon review of building permit plans. The Water Conservation Office to provide a separate plan review and requirements.
27. Rooftop drainage shall be directed to the storm water drainage system in such a manner that it does not flow across the sidewalk. A drainage plan which utilizes best management practices, subject to approval of the Public Works Department, shall be submitted in conjunction with the building permit application. The final design and location of the downspouts shall be compatible with the building architecture.
28. The applicant shall provide Planning and Building Department staff with verification that a qualified geotechnical engineer has reviewed the plans for consistency with the project geotechnical and geologic reports, prior to issuance of a building permit.
29. The applicant shall provide Planning and Building Department staff with certification that all development has occurred in accordance with the recommendations contained in the project geotechnical and geologic reports, prior to final inspection of the building permit.
30. An erosion control plan shall be approved by the Zoning Administrator prior to issuance of a building permit and all work shall be installed by November 1. The erosion control plan shall include provisions for implementation of "Best Management" construction practices that include the following measures:
- Water all active construction areas at least twice daily;
 - Prohibit all grading activities during periods of high winds (over 15 mph);
 - Cover all trucks hauling dirt, sand or loose materials.
 - Cover or water stockpiles of debris, soil and other materials which can become windblown;
 - Install wheel washers at the entrance to construction sites for all trucks;
 - Sweep streets if visible soil material is carried out from the construction site;

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- Apply chemical soil stabilizers on inactive construction sites;
 - Plant vegetative ground cover in disturbed areas as soon as possible; and,
 - Oil and grease traps.
31. Grading shall be done during periods of dry weather and protective measures shall be incorporated during grading to prevent siltation from any grading project halted due to rain.
32. All new mechanical equipment and appurtenances, including gas and water meters, electrical boxes, roof vents, air conditioners, etc. visible from the public way and from adjacent properties, shall be screened with material compatible with the materials of the building and shall be subject to the approval of the Zoning Administrator.
33. Final building plans shall incorporate the building materials specified in the approved plans.
34. Prior to issuance of a building permit for the project, the applicant shall provide the Zoning Administrator with written verification that all permit requirements of the Monterey Bay Unified Air Pollution Control District relative to asbestos investigation and disposal, if necessary, have been fulfilled in accordance with Federal, State and local laws.
35. Prior to issuance of a building permit for the project, the applicant shall provide the Zoning Administrator with written verification that a lead assessment has been conducted in accordance with the Department of Toxic Substances Control standards and disposal, if necessary, has been fulfilled in accordance with Federal, State and local laws.
36. Prior to issuance of a building permit, the applicant shall submit a construction transportation system management program for approval by the Zoning Administrator and Public Works Department that will at a minimum:
- Establish a reasonable route and number of truck trips to be permitted going to and from the site during demolition and grading activities;
 - Provide a parking plan for construction-related vehicles that minimizes parking on residential streets;
 - Prohibit hauling of excavated materials during peak traffic hours on weekdays between the hours of 7:00 and 9:00 AM and 4:00 and 6:00 PM.
 - Utilize properly muffled vehicles and equipment on the construction site to ensure compliance with noise standards. If the developer exceeds noise standards, the project shall immediately be brought into compliance;
 - Delineate areas of the site where stationary equipment will be in place away from sensitive noise receptors to the maximum extent feasible; and,
 - Notification of adjacent residents of the construction schedule.
37. Within five (5) days of project approval, a Notice of Determination filing fee shall be paid to the Clerk of the Board of Supervisors, as required by CEQA regulations.
38. In accordance with Santa Cruz City Ordinance Section 24.08.1360, replacement housing must be provided by the applicant. The Developer has identified that certain project

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commonly referred to as South Pacific Apartments and located at 401 Pacific Avenue, Santa Cruz, CA. Replacement housing requirements shall be implemented as follows:

- Replacement Housing Agreement: Upon the completion of all necessary governmental and quasi-governmental approvals for the Project, and not later than the date of the issuance of the demolition permit, Developer will enter into an Replacement Housing Agreement with the City of Santa Cruz for the required replacement housing units/bedrooms at low or moderate affordability levels at the Replacement Housing Project.
 - This Replacement Housing Agreement will have the following terms:
 1. The number of units/bedrooms identified by the City of Santa Cruz is to be reserved at the Replacement Housing Project at low or moderate affordability levels (zero units low income, two units moderate income).
 2. The Replacement Housing Project is hereby identified as the existing 71-unit SRO project located at 401 Pacific Avenue.
 3. Prior to execution of the Replacement Housing Agreement, Developer will provide the City with a list of all current lease termination dates at the Replacement Housing Project. Upon issuance of the demolition permit for the La Bahia residential dwelling units, any existing, non-regulated unit at the Replacement Housing Project whose lease expires shall be made immediately available for use as a Replacement Unit. The Developer may also provide information related to existing tenants at the Replacement Housing Project who may qualify as low or moderate income tenants within the required replacement units.
 4. All replacement units shall be identified and under lease to eligible tenants no later than six months from the date of issuance of the demolition permit for the La Bahia residential dwelling units.
39. Relocation assistance shall be provided in accordance with Section 24.08.1350 of the zoning ordinance. Prior to issuance of a building permit for the project, or at the time of the termination of tenancy, which ever occurs first, the applicant shall provide a written agreement between all low- or moderate-income tenant(s) and the applicant outlining the method of relocation assistance (defined by the Zoning Ordinance as two months rent or other agreed upon assistance).
40. All plans and profiles of improvements shall be approved by the Director of Public Works prior to the filing of the final map, and the construction of said improvements shall be in accordance with the City specifications and shall be inspected by the Director of Public Works or his authorized agent.
41. The reproducible mylars of the plans and profiles for said improvements shall be furnished to the Public Works Department and shall become the property of the City of Santa Cruz at the time of approval.

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42. A property management and maintenance plan shall be submitted for the review and approval of the Zoning Administrator, prior to final inspection of the development. The plan shall address such topics as landscape maintenance and upkeep of the general building appearance.
43. The applicant shall provide proof to the Police Department of Responsible Beverage Service training for all employees serving alcohol.
44. All local, state and federal laws, rules and regulations applying to the sale and consumption of alcohol shall be complied with.
45. The applicant shall have a listed phone number for this establishment.
46. The restaurant/bar area shall be operated as a "low-risk" alcohol outlet and the applicant shall have food available at all hours during which alcohol is served; however, the full kitchen does not have to be open or staff at all hours.
47. Prior to issuance of a building permit for the project, compliance with all adopted Mitigation Measures shall be demonstrated, including all Mitigation Monitoring and Reporting Program requirements.
48. When a hotel or beach shuttle system is created, the applicant and subsequent owners will participate in the design and scheduling of the system, including making fair share payments toward operation of the shuttle system.
49. The applicant shall work with the Department of Public Works on project details to address any pedestrian/car interface safety issues on Beach Street.
50. A demolition permit shall not be issued unless it is issued simultaneously with a building permit to construct the new hotel. Pending the Historic Preservation Commission recommendation, the site shall not be delisted from the Historic Building Survey until the building has been demolished pursuant to a demolition and replacement project permit issued by the Planning Department through its Building Division.
51. Wood windows closely matching the style of the original La Bahia windows shall be incorporated as part of the rehabilitation of the remaining historic bell tower building. This shall be shown on the building plans and the window type approved by the Zoning Administrator prior to building permit issuance.
52. A public interpretive display of the original La Bahia shall be incorporated and displayed within the hotel.
53. Upon demolition of the proposed historic buildings, the site shall be deleted from historic listing with the exception of the remaining bell tower building that shall remain listed as a historic resource.

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54. Prior to occupancy of the hotel, the applicant shall provide the Zoning Administrator with an agreement between the hotel operator and the Santa Cruz Seaside Company (or successors in interest), stipulating that anytime when the hotel parking garage is full, patrons of the La Bahia may use the Main Beach parking lot across the street from the Boardwalk if parking is available. Nothing in this agreement shall prohibit the owner of the Main Beach parking lot from charging the operators of the La Bahia to park in this lot.
55. Prior to issuance of a building permit, the applicant shall provide the Zoning Administrator and Public Works Director with a garage signage plan directing self-parking patrons not making use of valet parking to park on the second floor of the garage, and a left turn only sign at the garage exit onto Main Street. All signage shall be in place prior to final occupancy of the building permit.
56. Final building plans shall indicate that the solar panels shown on plans be dual purpose and provide both solar hot water and electricity. Roof surfaces that do not include solar panels, open space or landscape improvements shall be made "solar ready" by providing conduits for future electrical connections, as deemed appropriate by the Building Official.
57. Prior to occupancy of the hotel, the applicant shall provide the Zoning Administrator with an agreement for off-site parking for their employees on weekends and holidays between Memorial Day weekend and Labor Day weekend and a plan describing a shuttle system to and from the off-site parking location.
58. The applicant shall be responsible for costs to the city for compliance with conditions of approval and mitigation monitoring.
59. Prior to issuance of building permits and/or final inspection for the project, the applicant shall include provisions which address the following Mitigation Measures and Recommended Conditions of Approval from the EIR for the project:

MITIGATION MEASURE 1: 4.2-1a – Documentation. Require the project applicant to document the La Bahia Apartments complex and its setting. This documentation shall include drawings, photographs, and an historical narrative as outlined below, and developed in consultation with the City of Santa Cruz Planning and Community Development Department. The documentation shall be submitted to the Planning Department and to ensure its public accessibility, the documentation will be filed with the Santa Cruz Public Library and Special Collections Library at the University of California Santa Cruz.

- Drawings: Existing historic drawings of the La Bahia Apartments, if available, shall be photographed with large-format negatives or shall be photographically reproduced on Mylar. In the absence of existing drawings, full-measured drawings of the complex's plan, exterior elevations, and courtyard elevations should be prepared.
- Photographs: Photo-documentation of the La Bahia Apartments shall be prepared to Historic American Buildings Survey (HABS) standards for archival photography. HABS standards require large-format black-and-white photography, with the original negatives having a minimum size of 4"x5". Digital photography, roll film, film packs, and electronic

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manipulation of images are not acceptable. A minimum of 12 photographs must be taken, detailing the site, building exteriors, and building interiors. Photographs must be identified and labeled using HABS standards. Color 35mm non-archival photographs of the historical building and grounds shall be taken to supplement the limited number of archival photographs required under the HABS standards described above. Photographs should include: overall views of the site; individual views of important building features; exterior elevations of each façade of the complex; views of interior courtyard spaces; and detailed views of specific materials or elements.

- ***Historical Overview:*** In consultation with the City of Santa Cruz Planning and Community Development Department, a qualified historian or architectural historian shall assemble historical background information relevant to La Bahia Apartments and its setting. Much of this information may be drawn from the Historical Resources Technical Report prepared by Architectural Resources Group (2013) for the La Bahia Hotel project. To ensure its public accessibility, the agreed-upon documentation would be filed with the Santa Cruz Public Library for inclusion in their local history collection, as well as with other local libraries and historical societies, as appropriate.

Monitoring: The applicant is responsible for implementing the measures and submitting drawings and photographs to the Planning & Community Development Department with proof of submittal to other agencies.

MITIGATION MEASURE 2: 4.2-1b –*Salvage.* Require project applicant to set up a procedure to offer building features or elements from the La Bahia Apartments that are not used as part of the project or kept by the owner for reuse on the project site or in other locations. The procedure shall be designed and implemented in consultation with the City of Santa Cruz Planning and Community Development Department to provide public information regarding availability of building features or materials for reuse. The focus would be on identifying building features or elements that are (1) related to the character-defining features identified in the Architectural Resources Group evaluations and (2) can safely and feasibly be removed from the building. Salvage opportunities shall be considered in the following order: (1) on-site reuse opportunities, (2) off-site reuse opportunities, and (3) public display opportunities. Allow demolition to proceed only after any significant historic features or materials have been identified and kept by the owner or offered for salvage, and their removal completed.

Monitoring: The applicant is responsible for implementing the measure in consultation with Planning Department. The applicant is responsible for providing documentation to the Planning Department that the required barriers have been erected as specified.

MITIGATION MEASURE 3: 4.2-2a. Require installation of protective barriers to protect the bell tower and the north and east walls of the retained La Bahia apartments from potential damage caused by demolition activities. An historic preservation architect, meeting the *Secretary of the Interior's Standards and Guidelines for Archeology and Historic Preservation, Professional Qualifications Standards*, shall prepare designs and specifications for protective barriers required to protect the bell tower and the north and east walls of the retained La Bahia apartments. In

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removing the portions of the complex proposed for demolition, materials original to the portion of the complex that is remaining shall be retained in place wherever feasible.

Monitoring: The applicant is responsible for having a historic preservation architect develop specifications of protection barriers and submitting the report to the Planning Department. The applicant is responsible for including protection specifications on construction drawings. Planning Dept. staff responsible for reviewing construction plans to ensure measure is included.

MITIGATION MEASURE 4: 4-2-2b. Require a pre-demolition review and inspection by a registered structural engineer with a minimum of five years of experience in the rehabilitation and restoration of historic buildings, to determine the existing relationship of the foundations of the various buildings of the La Bahia Apartments complex. Any required test excavations would be performed only in the presence of the structural engineer. The structural engineer would prepare a report of findings, recommendations and any related design modifications necessary to retain the structural integrity of the bell tower and southeastern apartment units and to ensure that construction of the other project components will not affect the foundation or structural integrity of the retained portion of the building.

In consultation with an historic preservation architect meeting the *Secretary of the Interior's Standards and Guidelines for Archeology and Historic Preservation, Professional Qualifications Standards* and the project geotechnical engineer, the structural engineer shall determine whether the soil excavations and construction of new foundations have the potential to result in settlement or damage to the retained building that would require underpinning and/or shoring. If underpinning and/or shoring is determined to be necessary, appropriate designs shall be implemented upon approval from the City of Santa Cruz Planning and Community Development Department.

Monitoring: The applicant is responsible for having a pre-construction survey structural engineer, and submitting the report to the Planning Department. The applicant is responsible for consultation with historic preservation architect, geotechnical engineer and structural engineer and providing findings to Planning Department. The Planning Department is responsible for review of the report to ensure compliance with the mitigation measure.

MITIGATION MEASURE 5: 4.2-3a. Require that post-demolition treatment of the west and north walls be undertaken with the assistance of an historic preservation architect and be completed in accordance with the *Secretary of the Interior's Standards for Rehabilitation* with an independent review by a qualified historic preservation architect at the time that detailed building plans are prepared. The Applicant shall have architectural elevations and plans prepared, in consultation with the historic preservation architect, that specify the locations and type of proposed repair or removal of building features for the retained tower and building, and specify proposed replacement materials. These architectural drawings also shall indicate how the proposed structural and seismic upgrades will be accomplished consistent with the Standards.

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Monitoring: The applicant is responsible for hiring historic preservation architect and submitted architectural elevations and plans that specify details of treatment of retained buildings. The applicant is responsible for providing documentation to the Planning Department.

MITIGATION MEASURE 6: 4.2-3b. Retain the existing window openings on the La Bahia bell tower and southeast apartment units, except in cases where the current opening can be demonstrated to be a non-historic alteration to the building.

Monitoring: The applicant is responsible for implementing the measure and including specifications on building plans. Planning Dept. staff responsible for reviewing construction plans to ensure measure is included.

MITIGATION MEASURE 7: 4.2-3c. The project shall be revised to include, if feasible as determined by the City of Santa Cruz, the repair and retention of any remaining wood windows on the bell tower and southeast apartment units. Non-historic metal windows shall be replaced with windows similar in size and proportion, in keeping with original condition of building and to differentiate the historic building from the new construction. New windows shall be differentiated from the historic windows at the bell tower and retained building.

Monitoring: The City Planning Department is responsible for consulting with historic preservation architect and making final decision on window treatment as specified. The applicant is responsible for including measure on building plans.

MITIGATION MEASURE 8: 4.2-4a. Modify the design of the new building at the northeast corner of Beach and Main Streets in order to reduce the prominence and the appearance of massing of the building's third story through measures such as the following and architectural detailing with confirmation through a photosimulation and review by a historic preservation architect prior to issuance of building permits:

- Replace the solid, partial-height wall that serves as the southern and eastern edges of the main ballroom balcony with a wood and/or metal balustrade.
- Move the southern edges of the balcony proposed at the southwest corner of this building inward so that it no longer extends beyond the footprint of the first and second stories.
- Increase the setback of the southern wall of the third floor in order to align the wall with the southern wall of the "connector" that extends between the building and the retained bell tower building. (This entails an increase in the third-floor setback of approximately three feet.)
- Shift the pergola at the third floor balcony northward so that there is at least three feet of clearance between the southern edge of the pergola and the balustrade extending along the southern edge of the balcony.
- Install new landscaping along Beach Street that is similar to the existing palm trees and that will not rise above the level of the bell tower.

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Monitoring: The applicant is responsible for implementing the measure and including specifications on building plans. Planning Department staff responsible for reviewing building plans to ensure measure is included.

MITIGATION MEASURE 9: 4.2-4b. Reduce a portion of the southernmost bay of the new construction along Westbrook Street to three stories on the southeast corner of the fourth floor, as shown on the illustration in the Draft EIR text, to reduce massing near the historic Bell Tower.

Monitoring: The applicant is responsible for implementing the measure and including specifications on building plans. Planning Department staff responsible for reviewing building plans to ensure measure is included.

MITIGATION MEASURE 10: 4.2-5a. Implement the following measures to protect historic structures that are within 50 feet of project, including onsite structures to be retained, during construction activities that result in vibration, (e.g., the installation of vibro-displacement stone columns).

- Prior to demolition, a historic preservation architect and a structural engineer shall document existing baseline conditions of those historic resources identified in Draft EIR Table 4.2-1 that are identified as being potentially adversely affected by construction-vibration, (i.e., structures within 50 feet of construction activities that could exceed 0.1 in/sec PPV). The pre-construction survey would consist of documentation of structures by means of photograph and/or video, and a floor level survey of the ground floor of structures by a qualified engineer. This documentation shall be submitted to the City Planning Director prior to commencement of any vibro-displacement stone columns work.
- Establish damage criterion of 0.1 in/sec PPV for continuous sources for historic structures potentially affected by vibration. A qualified and licensed structural engineer may be retained to assess whether the potentially affected structures could withstand this level of high vibration. If such a determination is made by the structural engineer, then a higher limit may be permissible.
- The historical architect and structural engineer shall develop a plan to be implemented during construction that sets forth the type and location of measures to protect onsite and offsite structures, as may be required, during construction, including shoring of buildings or walls or other measures to provide temporary reinforcement of vibration-sensitive structures.
- Conduct monitoring by a qualified vibration monitoring consultant or engineering firm during installation of the vibro-displacement stone columns to monitor construction vibration. The consultant shall use a seismograph containing three channels that record in three mutually perpendicular axes. The frequency response shall be from 2 to 250 Hz, which is a minimum sampling rate of 1,000 samples per second per channel.
- If in the opinion of the structural engineer, in consultation with the historic preservation architect, substantial adverse impacts to historic resources related to construction activities are identified during construction, the monitoring team shall develop corrective actions to be implemented during construction. If, at any time, monitoring indicates maximum vibration levels approaching or exceeding damage thresholds, construction will immediately cease and subsequent corrective action, as outlined below, shall be taken. If the stop work threshold is

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exceeded, evaluate the condition of the building for damage. If no damage is indicated, consult with structural engineer and/or architectural historian to assess whether higher thresholds are possible and adjust, as appropriate. If damage occurs, determine if any other construction approaches are feasible to reduce vibration. If none are available, examine the severity of the damage to determine if damage is minor and repair is feasible. If repair is feasible, continue with construction, but monitor vibration and damage closely to ensure that damage remains repairable. Consider whether a lower stop work threshold is feasible. If damage approaches becoming unrepairable and vibration levels have approached or exceeded the stop work threshold repeatedly, consider new feasible and reasonable alternative approaches to construction.

- Conduct post-construction surveying to identify (and repair if necessary) any damage from construction activities. Any damage would be documented by photography, video, or other means, and costs of repairs would be paid by the Applicant. Progress reports of the results of vibration monitoring would be provided to the lead agency in charge within an expeditious amount of time following vibro-displacement. A final report documenting results, damage, excessive vibration or other impacts would be provided to the lead agency.

Monitoring: The applicant is responsible for implementing and developing plan that identifies measures to protect identified affected historic buildings during construction in consultation with historic preservation architect and a structural engineer as specified in the measure and submitting plan to the Planning Department. The applicant is responsible for conducting pre- and post-construction surveys with report of findings and submitting to the City Planning Department.

MITIGATION MEASURE 11: 4.2-5b. Implement a training program for construction workers to be conducted by the historic preservation architect to provide direction on how to exercise care when working around and operating equipment near the retained La Bahia structures.

Monitoring: The applicant is responsible for retaining historic preservation architect to provide training. The applicant is responsible for submitting proof of training sessions to the City Planning Department.

MITIGATION MEASURE 12: 4.6-1: Require implementation of all recommendations set forth in the "Geotechnical Investigation and Geology Report for La Bahia Hotel" prepared by Pacific Crest Engineering (January 2008), as updated by the Dees & Associates (October 5, 2013) "Update to Geotechnical Investigation by Pacific Crest Engineering, Inc., dated January 28, 2008" and December 3, 2013 review, including foundation and structural design recommendations. These recommendations include, but are not limited to, use of vibro-displacement stone columns to mitigate exposure to liquefaction, and construction of a building foundation system that consists of structural mat foundation or grid of reinforced spread footings for structures located over stone columns.

Monitoring: The applicant is responsible for preparing final geotechnical report as specified by City building codes and incorporating recommendations in grading and building plans. The City

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Planning Department is responsible for reviewing final geotechnical report and building plans to ensure recommendations have been incorporated into project design.

MITIGATION MEASURE 13: IS-1: Require preparation of an acoustical study with building permit submittal and require building plans to incorporate any recommended building or window design measures, if needed to achieve interior noise levels (attributable to exterior sources) of 45 decibels in any habitable room, measured in either the day-night average sound level, as established by state law.

Monitoring: The applicant is responsible for preparing acoustical study and incorporating recommendations in grading and building plans. The City Planning Department is responsible for reviewing acoustical study and building plans to ensure recommendations have been incorporated into project design.

CALIFORNIA COASTAL COMMISSION

CENTRAL COAST DISTRICT OFFICE

725 FRONT STREET, SUITE 300

SANTA CRUZ, CA 95060-4508

VOICE (831) 427-4863 FAX (831) 427-4877

**APPEAL FROM COASTAL PERMIT DECISION OF LOCAL GOVERNMENT****Please Review Attached Appeal Information Sheet Prior To Completing This Form.****SECTION I. Appellant(s)**

Name: The La Bahia Coalition

Mailing Address: 1168 West Cliff Drive

City: Santa Cruz

Zip Code: 95060

Phone: (831) 423-1932

SECTION II. Decision Being Appealed

1. Name of local/port government:

Santa Cruz City Council

2. Brief description of development being appealed:

"The construction of a 165-room hotel with conference & banquet space, restaurant, retail space, day spa, partially underground garage & other ancillary facilities..." {Ord. #2014-10} replacing most of the protected La Bahia Apts. landmark.

3. Development's location (street address, assessor's parcel no., cross street, etc.):

215 Beach St., Santa Cruz, CA, assessor's parcel no.: 005-213-02 & 005-213-03, bounded by Beach St., Westbrook St., First St., and Main St.

4. Description of decision being appealed (check one.):

☐ Approval; no special conditions☒ Approval with special conditions: To redesign two portions, one impacting the historic tower wing, and a second wing at Main & Beach sts.☐ Denial

Note: For jurisdictions with a total LCP, denial decisions by a local government cannot be appealed unless the development is a major energy or public works project. Denial decisions by port governments are not appealable.

TO BE COMPLETED BY COMMISSION:

APPEAL NO: _____

DATE FILED: _____

DISTRICT: _____

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SEP 25 2014

**CALIFORNIA
COASTAL COMMISSION
CENTRAL COAST AREA**Exhibit 5: Appeal Reasons
A-3-STC-14-0049 (La Bahia Hotel)

APPEAL FROM COASTAL PERMIT DECISION OF LOCAL GOVERNMENT (Page 2)

5. Decision being appealed was made by (check one):

- ☐ Planning Director/Zoning Administrator
☒ City Council/Board of Supervisors
☐ Planning Commission
☐ Other

6. Date of local government's decision: Sept. 9, 2014

7. Local government's file number (if any): _____

SECTION III. Identification of Other Interested Persons

Give the names and addresses of the following parties. (Use additional paper as necessary.)

a. Name and mailing address of permit applicant:

Craig French
French Resources Group Inc.
911 Center Street, Suite B
Santa Cruz, CA 95060

b. Names and mailing addresses as available of those who testified (either verbally or in writing) at the city/county/port hearing(s). Include other parties which you know to be interested and should receive notice of this appeal.

(1)

(2)

(3)

(4)

APPEAL FROM COASTAL PERMIT DECISION OF LOCAL GOVERNMENT (Page 3)

SECTION IV. Reasons Supporting This Appeal

PLEASE NOTE:

- Appeals of local government coastal permit decisions are limited by a variety of factors and requirements of the Coastal Act. Please review the appeal information sheet for assistance in completing this section.
- State briefly **your reasons for this appeal**. Include a summary description of Local Coastal Program, Land Use Plan, or Port Master Plan policies and requirements in which you believe the project is inconsistent and the reasons the decision warrants a new hearing. (Use additional paper as necessary.)
- This need not be a complete or exhaustive statement of your reasons of appeal; however, there must be sufficient discussion for staff to determine that the appeal is allowed by law. The appellant, subsequent to filing the appeal, may submit additional information to the staff and/or Commission to support the appeal request.

A hotel project was approved Sept. 9, 2014, that would demolish most of the protected La Bahia Apartments at 215 Beach Street, Santa Cruz, contrary to zoning requirements and protections for the landmark. This appeal requests compliance with the guidelines and procedures, to retain the significance of the landmark, and the architectural compatibility of any addition.

IMPACTS: The project's environmental impact report states: "The Project will result in demolition of most of the existing structures making up the La Bahia Apartment complex, which is considered an historical resource under CEQA due to its local listing and **eligibility for listing in the California and National Registers**. Demolition will result in a **substantial adverse change in the significance of an historical resource**. This is a **significant impact**." (City of Santa Cruz, Sept. 9, 2014, CEQA Findings of Fact and Statement of Overriding Considerations for Environmental Impact Report, La Bahia Project, p.8.). The is inconsistent with Local Coastal Program policy 2.1: "Protect and encourage restoration and rehabilitation of historic and architecturally-significant buildings and landmarks." {B/SOL DEIR 112}

REQUIREMENTS: In 1998, a plan was approved for the Beach/South of Laurel Area (called B/SOL), which included highly specific guidelines for development of the La Bahia, found throughout the B/SOL Area Plan, Guidelines and EIR, certified as our Local Coastal Plan and RTC Zoning. As Municipal Code Section 24.10.618 states: "It is the intent of this zoning that **preservation of La Bahia be conducted in accordance with the measures described in the certified final Environmental Impact Report for the Beach and South of Laurel Comprehensive Area Plan,**" or B/SOL. {Craig French DEIR 4.7-6¶4}.

HERITAGE TOURISM: The B/SOL Plan proposes expanding local tourism to attract the more lucrative Heritage Tourism market. This entails upgrading the waterfront's "major historic assets," listed as the Boardwalk and its top two historic attractions; the Steamship Wharf; the La Bahia Apts.; the Union Rail Depot; and Historic Beach Hill neighborhood. {B/SOL Plan, p.240¶3-5}. The certified B/SOL FEIR states, "...**Two of the primary objectives of the B/SOL Area Plan are to 'create an historic ocean resort environment which encourages extended stay and provide an economic catalyst in the Beach area and link with the Downtown.'** The plan envisions accomplishing this by development of a conference hotel facility at the La Bahia Apartments site which **maintains the significant historic character defining features of the existing La Bahia**. The DEIR (page 109) notes that the historic/archaeological survey identified the La Bahia Apartments as **the most important historic resource**, and the most likely to be eligible for the National Register." {Certified B/SOL FEIR IV-438, resp.11}.

PROCEDURES: The B/SOL Findings of Fact & Statement of Overriding Considerations, states: "At the time a specific hotel development project is proposed for the La Bahia Apartments site, the applicant and the project design team shall coordinate with the Planning Staff, City Historic Landmarks [or Preservation] Commission representative, and a consulting historic preservation consultant to address critical issues in design development and **ensure that the proposed plan retains the major contributing features of the La Bahia complex**, as outlined in ARG's [Architectural Resources Group] La Bahia Apartments, Santa Cruz, Ca.—Architectural Analysis & Recommendations for Development, Feb. 20, 1998." {B/SOL 1998 Findings of Fact & Statement of Overriding Considerations, p.66, Exhibit A, CCB-255-2A; ARG La Bahia Report in B/SOL FEIR, Sect. IX, "Supplementary Technical Reports & Attachments"}.

FEATURES: These major contributing features are specified as: "...**the buildings along the south (Beach Street) elevation, the courtyard, the building elevations surrounding the courtyards, and the passages into the courts, as well as the scale, massing, and buildings' details** are all character-defining elements that contribute to the significance of the La Bahia complex." {B/SOL FEIR, Sect. VI-35&36; derived from ARG Report in B/SOL FEIR, Sect. IX, p.6¶1}.

NON-COMPLIANCE: The City hired the ARG firm to review the current hotel design for compliance with the preservation guidelines. Their report concluded that the proposed project fails to retain these major contributing features. It states that **at present: "The La Bahia Apartments, a designated City Landmark, retains sufficient integrity to convey its significance** and should be considered a historical resource under CEQA. In ARG's professional opinion, the complex's historical and architectural significance renders it eligible for listing on the Cal. Reg. of Historical Resource and the Nat. Reg. of Historic Places." {Craig French Draft EIR Appendix C}.

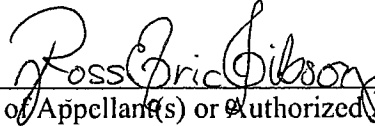
MATRIX OF FORMS: ARG observes: "While the [Craig French] project includes retention of the bell tower and adjoining southeast apartment units, many of the character-defining features of the property would be lost. The La Bahia Apartment property is fundamentally a complex of buildings that is **defined by the varied scale of and interrelationships between the individual building and landscape components**. **By reducing the historic property to a single building, the proposed project would eliminate these characteristics**. Such an adverse change to a CEQA-defined historic resource constitutes a **significant impact**." {Ibid.}.

SIGNIFICANT IMPACTS: ARG concludes that, "While proposed mitigation measures would reduce impacts to the La Bahia Apartments, those impacts would remain significant, given the extent of the proposed demolition." {Ibid.}. The extent of the demolition in the project as proposed is inconsistent with the stated intent of the pertinent zoning regulation: to ensure that the proposed plan retains the major contributing features of the La Bahia Apts.

APPEAL FROM COASTAL PERMIT DECISION OF LOCAL GOVERNMENT (Page 4)

SECTION V. Certification

The information and facts stated above are correct to the best of my/our knowledge.



Signature of Appellant(s) or Authorized Agent
FOR THE LA BAHIA COALITION

Date: Sept. 25, 2014

Note: If signed by agent, appellant(s) must also sign below.

Section VI. Agent Authorization

I/We hereby
authorize _____

to act as my/our representative and to bind me/us in all matters concerning this appeal.

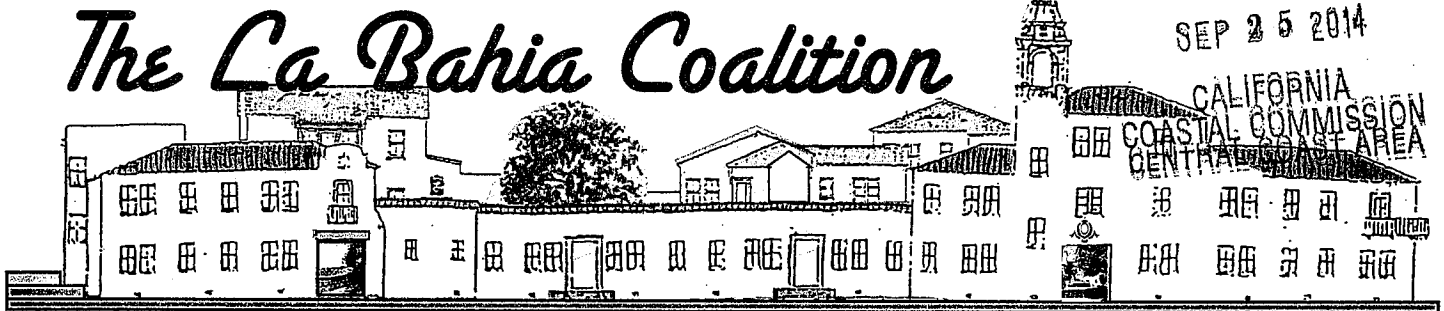
Signature of Appellant(s)

Date: _____

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SEP 25 2014

CALIFORNIA
COASTAL COMMISSION
CENTRAL COAST AREA



The La Bahia Coalition

• TO RESTORE ONE OF THE BEACHFRONT'S DESIGNATED "MAJOR HISTORIC ASSETS" •

Sept. 25, 2014

Dear Coastal Commissioners;

A hotel project was approved Sept. 9, 2014, that would demolish most of the protected La Bahia Apartments at 215 Beach Street, Santa Cruz, contrary to zoning requirements and protections for the landmark. This appeal requests compliance with the guidelines and procedures, to retain the significance of the landmark, and the architectural compatibility of any addition.

IMPACTS: The project's environmental impact report states: "The Project will result in demolition of most of the existing structures making up the La Bahia Apartment complex, which is considered an historical resource under CEQA due to its local listing and **eligibility for listing in the California and National Registers**. Demolition will result in a **substantial adverse change in the significance of an historical resource**. This is a significant impact." {City of Santa Cruz, Sept. 9, 2014, CEQA Findings of Fact and Statement of Overriding Considerations for Environmental Impact Report, La Bahia Project, p.8.} The is inconsistent with Local Coastal Program policy 2.1: "Protect and encourage restoration and rehabilitation of historic and architecturally-significant buildings and landmarks." {B/SOL DEIR 112}

REQUIREMENTS: In 1998, a plan was approved for the Beach/South of Laurel Area (called B/SOL), which included highly specific guidelines for development of the La Bahia, found throughout the B/SOL Area Plan, Guidelines and EIR, certified as our Local Coastal Plan and RTC Zoning. As Municipal Code Section 24.10.618 states: "It is the intent of this zoning that **preservation of La Bahia be conducted in accordance with the measures described** in the certified final Environmental Impact Report for the Beach and South of Laurel Comprehensive Area Plan," or B/SOL. {Craig French DEIR 4.7-6¶4}.

HERITAGE TOURISM: The B/SOL Plan proposes expanding local tourism to attract the more lucrative Heritage Tourism market. This entails upgrading the waterfront's "major historic assets," listed as the Boardwalk and its top two historic attractions; the Steamship Wharf; the La Bahia Apts.; the Union Rail Depot; and Historic Beach Hill neighborhood. {B/SOL Plan, p.240¶3-5}. The certified B/SOL FEIR states, "...**Two of the primary objectives** of the B/SOL Area Plan are to '**create an historic ocean resort environment** which encourages extended stay and provide an economic catalyst in the Beach area and link with the Downtown.' The plan envisions accomplishing this by development of a conference hotel facility at the La Bahia Apartments site which **maintains the significant historic character defining features of the existing La Bahia**. The DEIR (page 109) notes that the historic/archaeological survey identified the La Bahia Apartments as **the most important historic resource**, and the most likely to be eligible for the National Register." {Certified B/SOL FEIR IV-438, resp.11}.

PROCEDURES: The B/SOL Findings of Fact & Statement of Overriding Considerations, states: "At the time a specific hotel development project is proposed for the La Bahia Apartments site, the applicant and the project design team shall coordinate with the Planning Staff, City Historic Landmarks [or Preservation] Commission representative, and a consulting historic preservation consultant to address critical issues in design development and **ensure that the proposed plan retains the major contributing features of the La Bahia complex**, as outlined in ARG's [Architectural Resources Group] *La Bahia Apartments, Santa Cruz, Ca.-Architectural Analysis & Recommendations for Development, Feb. 20, 1998.*" {B/SOL 1998 Findings of Fact & Statement of Overriding Considerations, p.66, Exhibit A, CCB-255-2A; ARG La Bahia Report in B/SOL FEIR, Sect. IX, "Supplementary Technical Reports & Attachments"}.

FEATURES: These major contributing features are specified as: "**...the buildings along the south (Beach Street) elevation, the courtyard, the building elevations surrounding the courtyards, and the passages into the courts, as well as the scale, massing, and buildings' details** are all character-defining elements that contribute to the significance of the La Bahia complex." {B/SOL FEIR, Sect. VI-35&36; derived from ARG Report in B/SOL FEIR, Sect. IX, p.6¶1}.

NON-COMPLIANCE: The City hired the ARG firm to review the current hotel design for compliance with the preservation guidelines. Their report concluded that the proposed project fails to retain these major contributing features. It states that **at present: "The La Bahia Apartments**, a designated City Landmark, **retains sufficient integrity to convey its significance** and should be considered a historical resource under CEQA. In ARG's professional opinion, the complex's historical and architectural significance renders it eligible for listing on the Cal. Reg. of Historical Resource and the Nat. Reg. of Historic Places." {Craig French Draft EIR Appendix C}.

MATRIX OF FORMS: ARG observes: "While the [Craig French] project includes retention of the bell tower and adjoining southeast apartment units, many of the character-defining features of the property would be lost. The La Bahia Apartment property is fundamentally a complex of buildings that is **defined by the varied scale of and interrelationships between the individual building and landscape components. By reducing the historic property to a single building, the proposed project would eliminate these characteristics.** Such an adverse change to a CEQA-defined historic resource constitutes **a significant impact.**" {Ibid.}.

SIGNIFICANT IMPACTS: ARG concludes that, "While proposed mitigation measures would reduce impacts to the La Bahia Apartments, those impacts would remain significant, given the extent of the proposed demolition." {Ibid.}. The extent of the demolition in the project as proposed is inconsistent with the stated intent of the pertinent zoning regulation: to ensure that the proposed plan retains the major contributing features of the La Bahia Apts.



Ross Eric Gibson

Representative for the La Bahia Coalition

RELEVANT LCP AND IP POLICIES and BSOL AREA PLAN DESIGN GUIDELINES

LCP POLICIES

LCP Cultural Resources Element Policies 2.1

2.1 Protect and encourage restoration and rehabilitation of historic and architecturally significant buildings and landmarks.

LCP Cultural Resources Element Policy 2.3

2.3 Ensure that City administrative and review procedures effectively recognize and protect historic and architecturally-significant buildings and landmarks.

LCP Cultural Resources Element Policy 2.3.2

2.3.2: Ensure the identification and protection of historic and archaeological resources affected by development and public works projects and design projects in a manner that will protect the quality of these resources.

LCP Community Design Element Policy 3.5 (in relevant part): New or renovated development shall add to, not detract from City-identified landmarks, historical areas and buildings, and established architectural character worthy of preservation. (See...the Santa Cruz Historical Building Survey.)

BEACH SOUTH OF LAUREL PLAN (BSOL) AREA PLAN DESIGN GUIDELINES

Land Use Policy 2.16

The La Bahia shall be redeveloped as a visitor serving accommodation use available to the general public... If the La Bahia is converted to visitor-serving condominiums in order to fund the renovation project, restrict use of the condominiums by individual owners to no more than 45 days per year.

IMPLEMENTATION POLICIES

24.10.618 PURPOSE.

The purpose of the R-T(C) Subdistrict is to establish standards for development of residential uses mixed with neighborhood commercial, motel, and regional tourist commercial use. These standards are designed both to improve existing uses and encourage new developments in a manner that maintains a harmonious balance between residential and regional commercial uses. It is the intent of this zoning that preservation of La Bahia be conducted in accordance with the measures described in the certified final Environmental Impact Report for the Beach and South of Laurel Comprehensive Area Plan.

Part 10: HISTORIC ALTERATION PERMIT

24.08.900 PURPOSE

The purpose of this permit is to ensure that new construction and alterations are allowed in a manner which retains the integrity of the city's historic landmarks, buildings, sites and districts over time. Administrative historic alteration permits may be approved by the zoning

administrator, without a public hearing, for minor alteration projects and accessory structures. Historic alteration permits may be approved by the city historic preservation commission, after a public hearing, for non-minor alteration projects. Such a permit is required before any person shall carry out or cause to be carried out, on the site of a designated landmark, or on the site of a building listed in the City of Santa Cruz Historic Building Survey, or on the site of a structure in an historic overlay district, any material change in exterior appearance of any such site or structure through alteration, construction or relocation. This section of the Zoning Ordinance is also part of the Local Coastal Implementation Plan.

24.08.910 GENERAL PROVISIONS

The planning department shall maintain a current record of designated landmarks, historic districts and buildings listed on the city's historic building survey. When an application involving such landmark, district or building indicates a possible material change to the exterior appearance of a building, structure, site or portion thereof, an historic alteration permit shall be required. Approval of an administrative historic alteration permit shall be required for the addition of, or modification to non-historic structures on parcels which include a designated landmark, or a building or a site listed in the city of Santa Cruz historic building survey, or on a structure in an historic overlay district, or for minor historic alteration projects. An historical alteration permit is not required for:

- a. Removal, alteration, or maintenance of landscape material or other objects (walls, hitching posts, etc.) unless the landscape elements or historic objects are identified as historically important; and
- b. Alterations to the interior of the building; painting on the interior or exterior of the building.

24.08.915 REVIEW OF APPLICATIONS

1. The applicant shall provide, where applicable, scaled drawings of both existing conditions and proposed work which clearly identifies both existing and new construction, and the extent of demolition, photographs of the property at the time of the application, photographs of adjacent property, and detailed information about the building materials to be used. The commission and the staff may require additional information from the applicant in order to evaluate the application. An application shall not be considered complete and ready for approval or disapproval until all required data have been submitted.

2. When an application involves construction of a new building or of an addition to a building, the applicant may present plans to receive comments from the commission before the preparation of detailed drawings for the project. The comments at that time will be intended to give direction to the applicant, although the comments will not be binding on the commission.

24.08.920 PROCEDURE

A public hearing shall be held by the historic preservation commission, prior to final action on any historic alteration permit application except minor historic alteration projects, as defined in Section [24.22.438](#). Administrative historic alteration permits may be approved for minor historic alteration projects by the zoning administrator without a public hearing. Notice of the hearing shall be given to the applicant and to the public pursuant to the provisions of Chapter [24.04](#). The commission and zoning administrator shall take action on each application after the receipt of a completed application, and the commission's/zoning administrator's procedures may include

discussions with the applicant on modifications to the proposal. The commission and zoning administrator may approve, approve with modifications, or deny an application, and it shall set forth the factual basis for its required findings.

24.08.930 FINDINGS REQUIRED

Prior to approval or modified approval, the historic preservation commission or zoning administrator shall find that:

1. The action proposed is consistent with the purposes of historic preservation as set forth in Section [24.12.400](#) of this title and in the Cultural Resources Element of the General Plan; and one of the following three findings:
2. The project complies with Standards for Rehabilitation approved by the United States Secretary of the Interior; and that the project's:
 1. architectural design;
 2. height and bulk of buildings and structures;
 3. lot coverage and orientation of buildings;
 4. color and texture of surface materials;
 5. grading and site development;
 6. landscaping;
 7. changes to natural features;
 8. antennas, satellite dishes and solar collectors;
 9. off-street parking, signs;
 10. light fixtures and street furniture;
 11. steps, walls, doors, windows, screens and security grills;
 12. yards and setbacks protect and preserve the historic and architectural qualities and the physical characteristics which make the building, structure, or property a contributing feature of the landmark, historic building survey building or historic district; or
3. The applicant has demonstrated that the action proposed is necessary to correct an unsafe or dangerous condition on the property pursuant to Section [24.08.940](#); or
4. The applicant has demonstrated that denial of the application will result in immediate and substantial economic hardship that denies the applicant the ability to make reasonable beneficial use of the property or the ability to obtain a reasonable return from the property.

24.08.940 UNSAFE OR DANGEROUS CONDITIONS.

None of the provisions of this part shall be construed to prevent construction, alteration, removal or relocation necessary to correct the unsafe or dangerous conditions of any structure, other feature, or part thereof, when such condition has been declared unsafe or dangerous by the building official or the fire chief, and where the proposed measures have been declared necessary by such official to correct the said condition. However, only such work as is necessary to correct the unsafe or dangerous condition may be performed. In the event any structure or other feature is damaged by fire or other calamity the building official may specify, prior to the commission's review, the amount of repair necessary to correct an unsafe condition.

Part 11: HISTORIC DEMOLITION PERMIT

24.08.1000 PURPOSE

The purpose of this permit is to ensure that no person shall demolish or cause to be demolished any building listed on the Santa Cruz Historic Building Survey, any designated historic landmark or any building in an historic overlay district without approval of an historic demolition permit. (Ord. 2003-14 § 11 (part), 2003: Ord. 86-13 § 3 (part), 1986: Ord. 85-05 § 1 (part), 1985).

24.08.1010 DEMOLITION OF BUILDINGS LISTED IN THE HISTORIC BUILDING SURVEY

* Editor's Note: See Sections [24.08.1012](#) and [24.08.1014](#).

24.08.1011 INFORMATION ABOUT THE BUILDING PROPOSED FOR DEMOLITION

1. The commission may ask the applicant for an historic demolition permit to provide additional information to help in reaching a decision. The applicant may explain to the commission any problems in supplying information about the property, and the commission may withdraw the request for this information from the applicant.

24.08.1012 DEMOLITION OF BUILDINGS LISTED IN THE HISTORIC BUILDING SURVEY - PROCEDURE

1. Any person desiring to demolish a building listed on the Santa Cruz Historic Building Survey shall first file an application for a historic demolition permit with the planning department. Demolition of any such building may be approved only in connection with an approval of a replacement project. In case of a residential use, Part 14 of this chapter (Residential Demolition/Conversion) shall also apply.

Exceptions: Single-story detached garages, sheds, or other accessory buildings with no identified historic, cultural, or architectural value, as determined by the zoning administrator shall be exempt from this requirement.

2. After giving notice to the applicant and to the public pursuant to the provisions of Chapter [24.04](#), the historic preservation commission shall hold a public hearing and shall take one of the following actions:

- a. Approve Permit. The historic preservation commission may approve the historic demolition permit in conformance with the provisions of Part 14 of this chapter.
- b. Approve Permit, Subject to a Waiting Period of Up to One Hundred Twenty Days to Consider Relocation/Documentation.

(1) During the waiting period, the applicant shall advertise the proposed demolition in a paper of general circulation in the city of Santa Cruz, at least twice during the first, thirty days following the action by the historic preservation commission. Such advertisement shall include the address at which the structure proposed for demolition is located, information as to how arrangements can be made for relocation, and the date after which a demolition permit may be issued. Evidence of this publication must be submitted to the zoning administrator prior to issuance of a demolition permit.

(2) During the waiting period, the historic preservation commission may investigate preservation alternatives such as photographing the building and gathering related historical data.

- c. Continue for Up to One Hundred Eighty Days to Consider Designation as Landmark, or Other Alternatives to Demolition.

- (1) During the continuance period, the historic preservation commission may investigate relocation of the building on site or modification of the building for future uses in a way which preserves the architectural and historical integrity of the building.
 - (2) During the continuance period, the historic preservation commission may initiate an application for a landmark designation for the building and/or site.
 - (3) If the city council fails to designate the structure as an historic landmark within the one hundred eighty days, the demolition permit shall be issued.
 - (4) This continuance may be appealed.
- d. Deny permit

24.08.1014 DEMOLITION OF BUILDINGS LISTED IN THE HISTORIC BUILDING SURVEY - FINDINGS

1. Prior to approval or modified approval, the historic preservation commission shall find that:
 - a. The action proposed is consistent with the purposes of historic preservation as set forth in Section [24.12.400](#) of this title and in the Cultural Resources Element of the General Plan; or
 - b. The applicant has demonstrated that the action proposed is necessary to correct an unsafe or dangerous condition on the property pursuant to Section [24.08.1040](#); or
 - c. The applicant has demonstrated the denial of the application will result in immediate and substantial economic hardship; or
 - d. There are no reasonable alternatives to the demolition as of the time of the hearing.
2. Prior to denial, the historic preservation commission shall find that:
 - a. There are reasonable alternatives to the demolition as of the time of the hearing as demonstrated by specific facts in the record.

24.05.1020 DEMOLITION OF DESIGNATED HISTORIC LANDMARKS

* Editor's Note: See Sections [24.08.1022](#) and [24.08.1024](#).

24.08.1022 DEMOLITION OF DESIGNATED HISTORICAL LANDMARKS – PROCEDURE

1. Any person desiring to demolish a designated historic landmark shall first file an application for a historic demolition permit with the planning department. Demolition of any such building may be approved only in connection with an approval of a replacement, project. In case of residential use, Part 14 of this chapter (Residential Demolition/Conversion) shall also apply.
 2. After giving notice to the applicant and to the public pursuant to the provisions of Chapter [24.04](#), the historic preservation commission shall hold a public hearing and shall take one of the following actions:
 - a. Approve Permit. The historic preservation commission may approve the historic demolition permit in conformance with the provisions of Part 14 of this chapter.
 - b. Approve Permit, Subject to a Waiting Period of Up to One Hundred Twenty Days to Consider Relocation/Documentation.
- (1) During the waiting period, the applicant shall advertise the proposed demolition in a paper of general circulation in the city of Santa Cruz, at least twice during the first thirty days following the action by the historic preservation commission. Such advertisement shall include the address at which the structure proposed for demolition is located,

information as to how arrangements can be made for relocation and the date after which a demolition permit may be issued. Evidence of this publication must be submitted to the zoning administrator prior to issuance of a demolition permit.

(2) During the waiting period, the historic preservation commission may investigate preservation alternatives such as photographing the building and gathering related historical data.

c. Continue for Up to One Hundred Eighty Days to Consider Other Alternatives to Demolition.

(1) During the continuance period, the historic preservation commission may investigate relocation of the building on site or modification of the building for future uses in a way which preserves the architectural and historical integrity of the building.

(2) This continuance may be appealed.

d. Deny Permit.

Part 5: HISTORIC PRESERVATION

24.12.400 PURPOSE It is hereby found that the protection, enhancement, perpetuation and use of structures, districts, lands, and neighborhoods of historic, archaeological, architectural, and engineering significance, located within the city of Santa Cruz, are of cultural and aesthetic benefit to the community. It is further found that respecting the heritage of the city will enhance the economic, cultural and aesthetic standing of this city. The purpose of provisions in this title related to historic preservation is to:

-
1. Designate, preserve, protect, enhance, and perpetuate those historic structures, districts, and neighborhoods contributing to cultural and aesthetic benefit of Santa Cruz;
 2. Foster civic pride in the beauty and accomplishments of the past;
 3. Stabilize and improve the economic value of certain historic structures, districts, and neighborhoods;
 4. Protect and enhance the city's cultural, archaeological and aesthetic heritage;
 5. Promote and encourage continued private ownership and use of such buildings and other structures now so owned and used, to the extent that the objectives listed above can be obtained under such policy;
 6. Serve as part of the Local Coastal Implementation Plan for the Coastal Program.

24.12.420 HISTORIC LANDMARK DESIGNATION/DELETION.

1. Purpose. The purpose of this procedure is to provide for the designation/deletion of an individual structure or other feature, or group of structures on a single lot or site, or a site having special aesthetic, cultural, architectural, or engineering interest or value of an historical nature as a "landmark."

2. Procedure.

a. Designation/deletion of landmarks may be proposed by the city council, historic preservation commission, the secretary to the historic preservation commission (planning director), or on application of the owners, or their authorized agents, of the property for which designation is requested.

b. Each proposal shall be considered by the historic preservation commission at a public hearing, allowing time for notice to the owner or owners of the property and to the public pursuant to the provisions of Chapter [24.04](#). The Commission shall

encourage public participation in the hearing and the presentation of testimony about the property under consideration. The staff may prepare a summary of information about the property prior to the hearing. When recommending the approval of a designation or a deletion, the Commission shall prepare a report setting forth the factual basis for the required findings.

c. After receiving a recommendation from the historic preservation commission, the city council shall hold a public hearing at the earliest possible date of a regular meeting, allowing time for public notice.

3. Findings Required. Prior to the historic preservation commission recommending approval of landmark designation or deletion to the city council and prior to the city council approving the application, each shall find as appropriate:
 - a. That the proposed landmark, or group of structures, or features thereof has or no longer has significant aesthetic, cultural, architectural, or engineering interest or value of an historical nature.
 - b. That approval or modified approval of the application to designate or delete a landmark is consistent with the purposes and criteria of the city's historic preservation policies set forth in Section [24.12.400](#) herein, and the Cultural Resources Element of the General Plan.

24.12.440 SANTA CRUZ HISTORIC BUILDING SURVEY.

1. Background – Availability. The Santa Cruz Historic Building Survey, Volume I – prepared for the city of Santa Cruz by Charles Hall Page and Associates Inc., and published in 1976, and Volume II – prepared by John Chase, Daryl Allen and Jeanne Gordon, and published in 1989, is hereby adopted, as amended, as the Santa Cruz Historic Building Survey, and is incorporated herein by reference. Three copies of said building survey are, and shall be, maintained on file in the office of the city clerk, city of Santa Cruz, for the use of, and examination by, the public. See Chapter [24.08](#) for permits and requirements relating to Historic Building Survey buildings.

2. Procedure for Amending Historic Building Survey.

a. The city council may amend the Historic Building Survey by resolution by adding buildings or property to the survey or deleting buildings or property from the survey. This shall be done following a recommendation by the historic preservation commission. The historic preservation commission shall report to the city council on changes to buildings or property listed on the survey, and the commission shall recommend initiation of a new survey when there is a need to update the Historic Building Survey.

b. A public hearing shall be held by both the city historic preservation commission and the city council, allowing time for notice to the owner or owners of the property and to the public pursuant to the provisions of Chapter [24.04](#).

c. Actions by both bodies shall be based on the following criteria:

The property is either a building, site, or object that is:

1. Recognized as a significant example of the cultural, natural, archaeological, or built heritage of the city, state, or nation; and/or
2. Associated with a significant local, state, or national event; and/or
3. Associated with a person or persons who significantly contributed to the development of the city, state, or nation; and/or

4. Associated with an architect, designer, or builder whose work has influenced the development of the city, state, or nation; and/or
5. Recognized as possessing special aesthetic merit or value as a building with quality of architecture and that retains sufficient features showing its architectural significance; and/or
6. Recognized as possessing distinctive stylistic characteristics or workmanship significant for the study of a period, method of construction, or use of native materials; and/or
7. Retains sufficient integrity to accurately convey its significance.

The district is:

8. Recognized as a geographically definable area possessing a significant concentration of buildings that are well designed and other structures, sites, and objects which are united by past events or by a plan or physical development; or is
9. Recognized as an established and geographically definable neighborhood united by culture, architectural styles or physical development.
 - d. Upon the initiation of an amendment to the Historic Building Survey to add a building or buildings, no zoning or building or demolition permit shall be issued for a period of sixty days or until final action by the city council, whichever occurs first. An exception may be made where public health and safety require it. A public hearing shall be held upon any initiation of an amendment to the Historic Building Survey.

MAJOR CONTRIBUTING HISTORIC ELEMENTS - LA BAHIA

1 BEACH STREET TOWER & ELEVATION

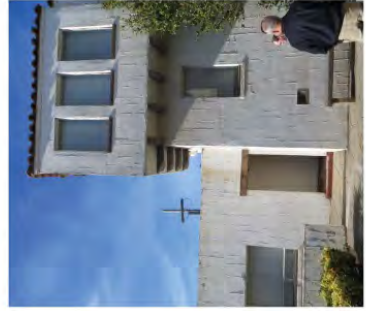
BELL TOWER

photographs



MASSING & FORM - HISTORIC ELEMENTS

- Stepping with hill
- Clear simple forms
- Variety in roofscape



- Wall planes step back & forth to break mass and length of wall
- Recesses & Projections

2 COURTYARDS

- Courtyard #1 - (Patio de Los Mirtos)
More formal, axial, outdoor room with North/ South axial courtyard at pool terrace with stairs, formal planting area, and exterior space

COURTYARDS

- Courtyard #2 - More informal, intimate, asymmetrical arrival, informal dining, landscaped water feature, and planting.



4 CHARACTER / MATERIAL / DETAIL

- Stucco walls with punched openings
- Terra-cotta tile roofs combined with flat roofs
- Balconies / window bays



- Ornamental glazed tiles
- Decorative iron work
- Railings

HISTORIC PRECEDENTS & CONTEMPORARY INTERPRETATION

1 BEACH STREET TOWER & ELEVATION

- Preserve tower, rehabilitate or rebuild portion of facade.
- Reinterpret second level sun deck feature.
- New addition is differentiated from the historic building and is compatible in materials, features proportion and massing keeping with Secretary of the Interior Standards.



EXISTING BEACH STREET ELEVATION



PROPOSED BEACH STREET ELEVATION

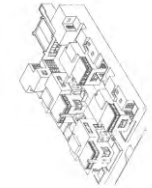
3 MASSING & FORM - HISTORIC PRECEDENTS



Hoover House
Stanford University
by Arthur B. Clark &
Douglas H. Clark, 1920



2 Dodge House,
West Hollywood
by Irving Gill, 1914



3 Horatio West Court,
Santa Monica
by Irving Gill, 1919

CHARACTER / MATERIAL / DETAIL

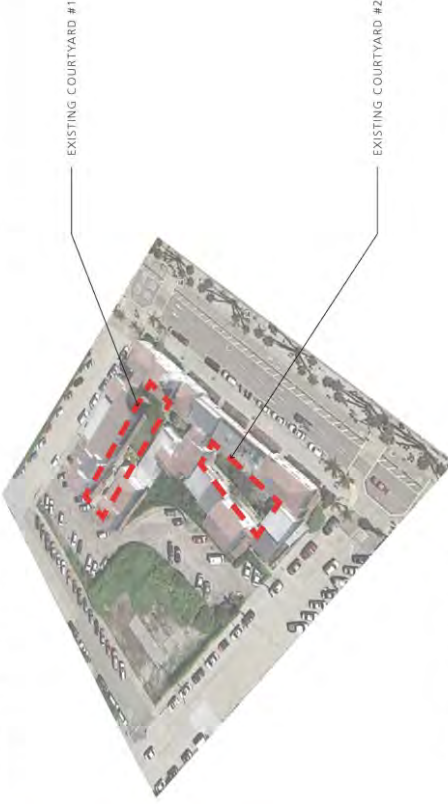
- Stucco walls with punched openings
- Tile roofs combined with flat roofs
- Balconies / window bays
- Ornamental glazed tiles
- Decorative iron work
- Railing & Trellis



EXISTING COURTYARDS

2 COURTYARDS

- Courtyard #1 - (Patio de Los Mirtos)
More formal, axial, outdoor room with North/South axial courtyard at pool terrace with stairs, formal planting area, and major exterior space



EXISTING COURTYARD #1

EXISTING COURTYARD #2

A EXISTING COURTYARDS



NEW COURTYARD #1 /
POOL TERRACE

NEW COURTYARD #2 /
ENTRANCE PORCH

NEW DESIGN OF COURTYARDS



8 ARCHITECTURAL BREEZENWAY CONNECTING COURTYARDS



9 COLUMNS AND MEDITERRANEAN PLANTS

ORIGINAL COURTYARD DESIGN

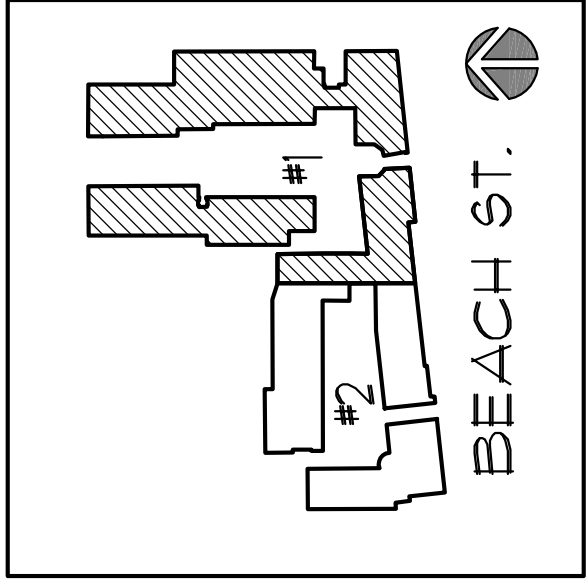
LA BAHIA'S EXISTING EXTERIOR SPACE IS COMPRISED OF TWO MAIN COURTYARDS WITH SIGNIFICANTLY DIFFERENT LAYOUTS. THE FIRST COURTYARD, COURTYARD NUMBER 1, PATIO DE LOS MIRTOS (COURT OF THE MYRTLES), IS LARGER (APPROXIMATELY 50'X150'), HAS A STRONG SYMMETRICAL NORTH-SOUTH AXIAL ALIGNMENT, HAS TERRACES THAT STEP WITH THE HILLSIDE, AND FEATURES A HEDGE-FRAMED LAWN THAT SERVES AS A METAPHOR FOR A REFLECTION POOL. IT IS BELIEVED TO BE MODELED AFTER THE ALHAMBRA IN GRANADA, SPAIN. THE SECOND COURTYARD, COURTYARD NUMBER 2, IS SMALLER (APPROXIMATELY 25'X95'), IS ORIENTED EAST-WEST HAS AN ASYMMETRICAL LAYOUT, AND IS PRIMARILY PLANTED. ALTHOUGH THEIR LAYOUTS DIFFER, BOTH COURTYARDS ARE DEFINED BY BUILDING WALLS, FRAME VIEWS INWARD TO WATER FEATURES AND OUTWARD TO THE OCEAN, AND INCORPORATE A RICH LAYERING OF MEDITERRANEAN PLANTING. THEY ARE DECORATED WITH COLORFUL PAINTED TILE, ORNAMENTAL IRON WORK, WALL NICHEs, WATER FEATURES, AND SITE FURNISHINGS. THESE EXISTING COURTYARDS SERVE AS INSPIRATION FOR THE PROPOSED NEW EXTERIOR SPACES.

PRINCIPLE CHARACTERISTICS OF LA BAHIA DISTINGUISHING FEATURES OF COURTYARD 1, PATIO DE LOS MIRTOS (COURT OF THE MYRTLES)

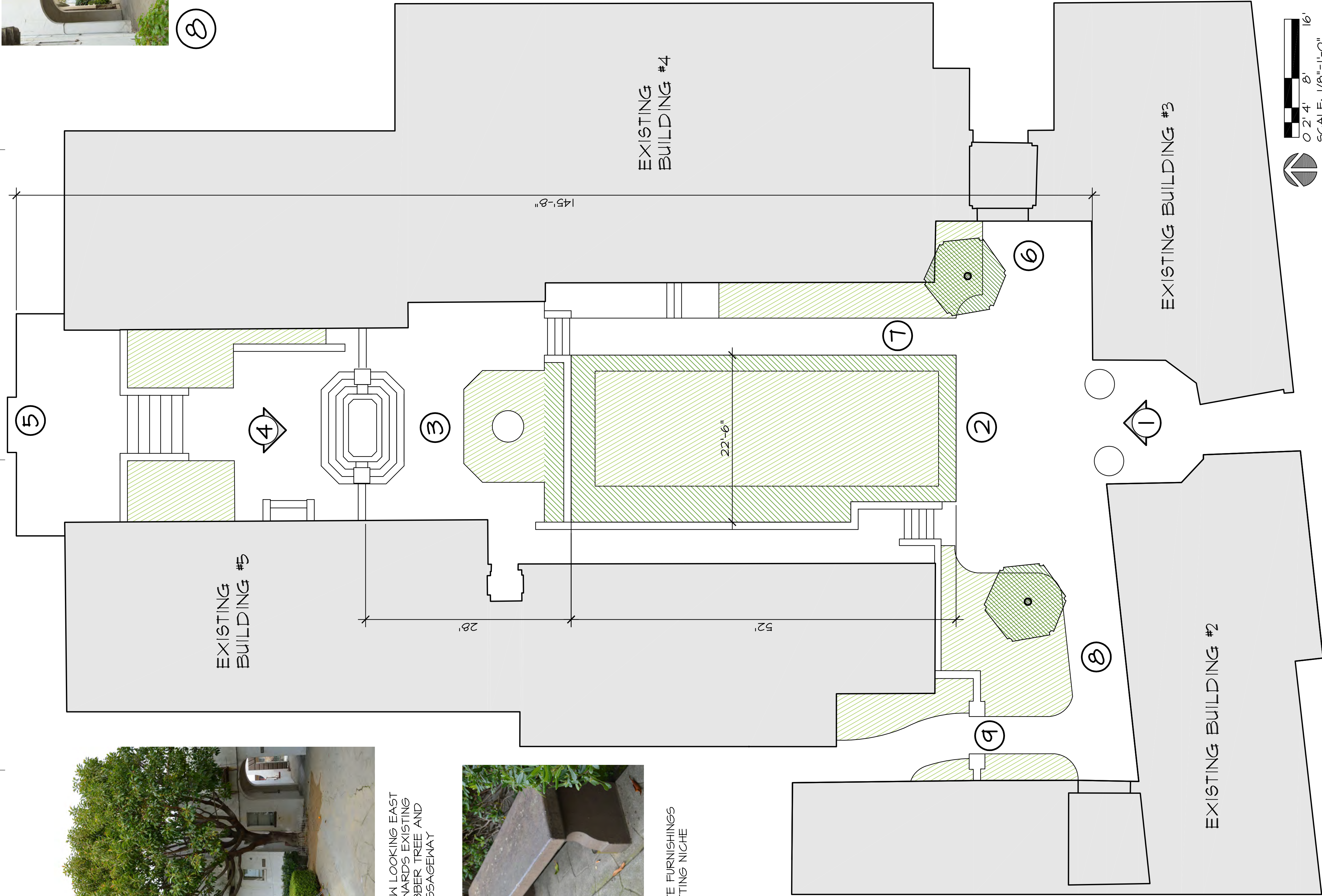
- LARGER SCALE (APPROXIMATELY 50' X 150')
- COURTYARDS AND PATIOS ALIGNED ON NORTH-SOUTH AXIS
- SYMMETRICAL LAYOUT OF COURTYARDS AND PATIOS
- WATER ELEMENT ENVISIONED TO CONNECT COURTYARDS AND PATIOS ON NORTH-SOUTH AXIS
- CONCRETE PAVING WITH SCALLOPED SCORING PATTERN (NATURALISTIC PATTERN)
- OCTAGONAL STEPS AND COLUMNS LINKING COURTYARDS
- TERMINUS WALL AT PATIO DE LOS MIRTOS WITH PAINTED TILE ACCENT
- TERRACING OF COURTYARDS FOLLOWS TOPOGRAPHY OF HILLSIDE
- GARDEN WALL FRAME COURTYARDS AND PATIOS
- FORMAL CLIPPED HEDGES FRAME LAWN AND SERVE AS A METAPHOR FOR WATER (REFLECTION POOL)
- MIX OF PLANTINGS FORM FOUNDATION PLANTING AT BUILDING EDGES



1 COLUMNS FRAMING BREEZENWAY



SCALE: 1"=100'-0"



BEACH STREET



6 VIEW LOOKING EAST TOWARDS EXISTING RUBBER TREE AND PASSAGeway



7 SITE FURNISHINGS SITTING NICHE



5 TERMINUS WALL PAINTED TILE



4 NORTH-SOUTH VIEW ALONG CENTRAL AXIS OF COURTYARD, FOUNTAIN, HEDGE, AND LAWN. FORM METAPHOR OF REFLECTION POOL (WATER). DECORATIVE WALLS FRAME VIEW.



3 VIEW NORTH TOWARDS TERMINUS OF COURTYARD AT PATIO WALL. DECORATIVE WALLS FRAME TERMINUS.



2 VIEW NORTH ALONG CENTRAL AXIS

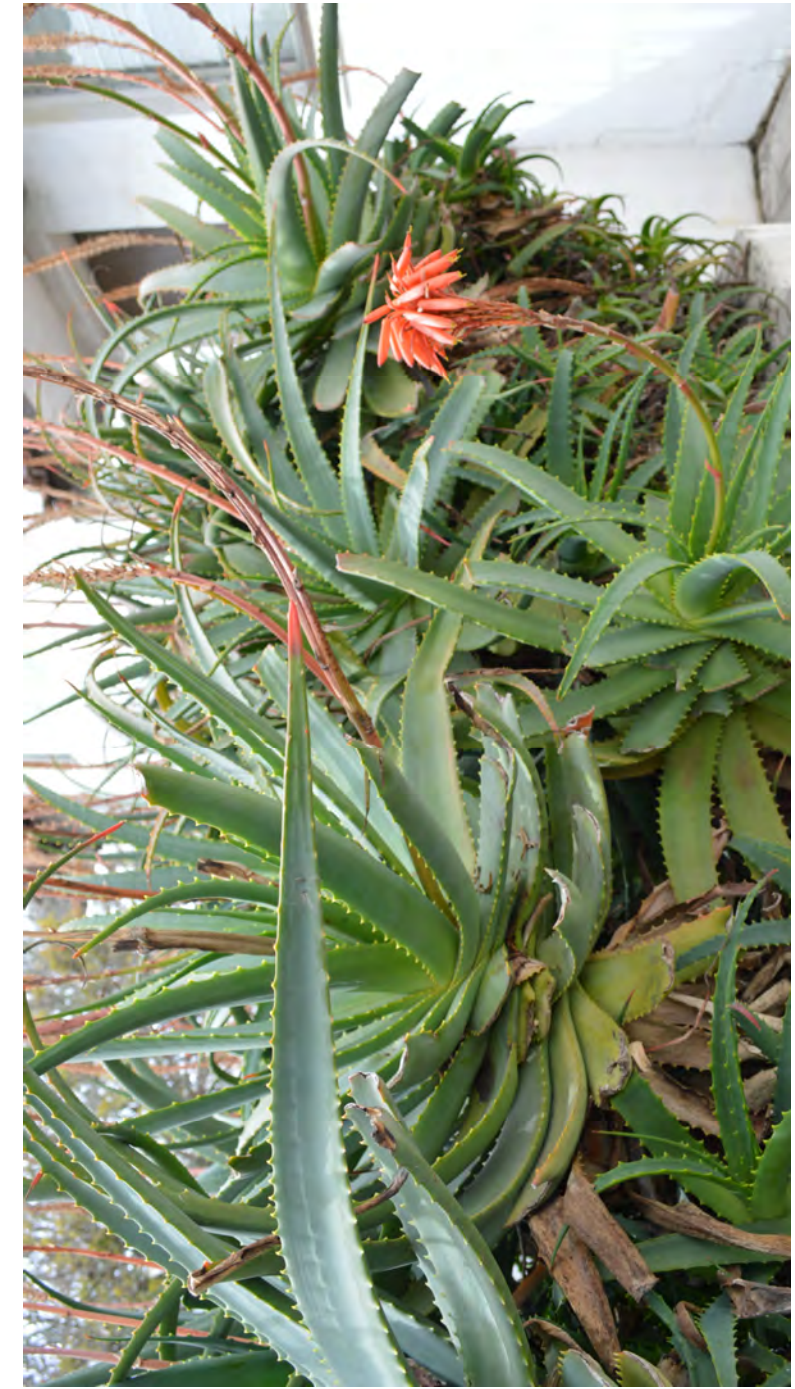
LA BAHIA HOTEL
215 BEACH STREET
SANTA CRUZ, CA

DISTINGUISHING FEATURES OF COURTYARD 2

- SMALLER SCALE (APPROXIMATELY 25' X 45')
- COURTYARDS ALIGNED ON EAST-WEST AXIS
- ASYMMETRICAL LAYOUT OF COURTYARDS
- FRAMED PASSAGEWAY AND ARCADE WITH FOUNTAIN AT VISUAL TERMINUS
- BUILDING WALLS INCORPORATE NICHERS, IRON GRATES AND ACCENTS TO SOFTEN EDGES AND ADD INTEREST TO THE COURTYARDS
- MIX OF PLANTINGS THAT FORMS A MORE INFORMAL GARDEN THAT IS RICH IN TEXTURE AND LAYERING



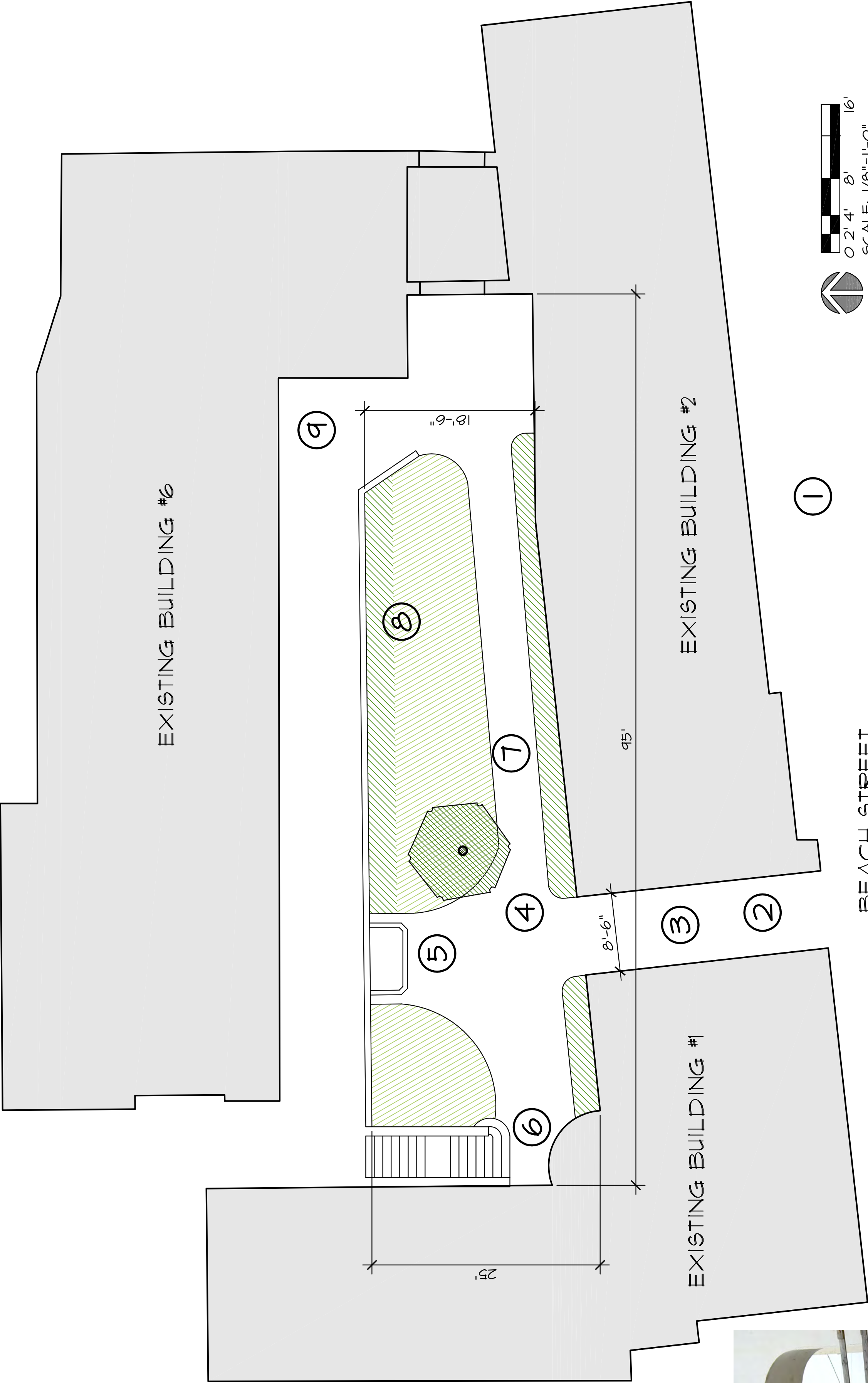
9 ORNAMENTAL IRON-WORK



8 MEDITERRANEAN PLANTING



7 WALL NICHERS STEP WITH STAIRS BEHIND



1 BEACH STREET FRONTAGE FOUNDATION PLANTING



2 PASSAGEWAY LIGHT



3 FRAMED VIEW OF FOUNTAIN THROUGH PASSAGEWAY



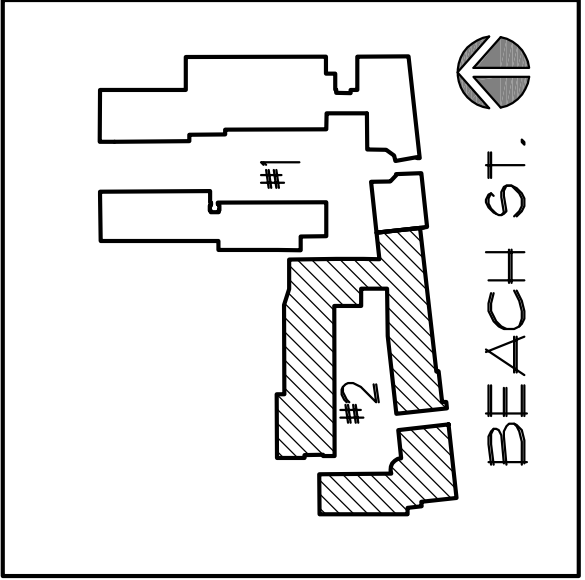
4 WEST VIEW OF STAIRWAY AND GARDEN



5 FOUNTAIN BASIN



6 STAIRWAY WRAPS BASE OF WALL



RELEVANT LCP AND IP POLICIES and BSOL AREA PLAN DESIGN GUIDELINES

LCP POLICIES

LCP Cultural Resources Element Policies 2.1

2.1 Protect and encourage restoration and rehabilitation of historic and architecturally significant buildings and landmarks.

LCP Cultural Resources Element Policy 2.3

2.3 Ensure that City administrative and review procedures effectively recognize and protect historic and architecturally-significant buildings and landmarks.

LCP Cultural Resources Element Policy 2.3.2

2.3.2: Ensure the identification and protection of historic and archaeological resources affected by development and public works projects and design projects in a manner that will protect the quality of these resources.

LCP Community Design Element Policy 3.5 (in relevant part): New or renovated development shall add to, not detract from City-identified landmarks, historical areas and buildings, and established architectural character worthy of preservation. (See...the Santa Cruz Historical Building Survey.)

BEACH SOUTH OF LAUREL PLAN (BSOL) AREA PLAN DESIGN GUIDELINES

Land Use Policy 2.16

The La Bahia shall be redeveloped as a visitor serving accommodation use available to the general public... If the La Bahia is converted to visitor-serving condominiums in order to fund the renovation project, restrict use of the condominiums by individual owners to no more than 45 days per year.

IMPLEMENTATION POLICIES

24.10.618 PURPOSE.

The purpose of the R-T(C) Subdistrict is to establish standards for development of residential uses mixed with neighborhood commercial, motel, and regional tourist commercial use. These standards are designed both to improve existing uses and encourage new developments in a manner that maintains a harmonious balance between residential and regional commercial uses. It is the intent of this zoning that preservation of La Bahia be conducted in accordance with the measures described in the certified final Environmental Impact Report for the Beach and South of Laurel Comprehensive Area Plan.

Part 10: HISTORIC ALTERATION PERMIT

24.08.900 PURPOSE

The purpose of this permit is to ensure that new construction and alterations are allowed in a manner which retains the integrity of the city's historic landmarks, buildings, sites and districts over time. Administrative historic alteration permits may be approved by the zoning

administrator, without a public hearing, for minor alteration projects and accessory structures. Historic alteration permits may be approved by the city historic preservation commission, after a public hearing, for non-minor alteration projects. Such a permit is required before any person shall carry out or cause to be carried out, on the site of a designated landmark, or on the site of a building listed in the City of Santa Cruz Historic Building Survey, or on the site of a structure in an historic overlay district, any material change in exterior appearance of any such site or structure through alteration, construction or relocation. This section of the Zoning Ordinance is also part of the Local Coastal Implementation Plan.

24.08.910 GENERAL PROVISIONS

The planning department shall maintain a current record of designated landmarks, historic districts and buildings listed on the city's historic building survey. When an application involving such landmark, district or building indicates a possible material change to the exterior appearance of a building, structure, site or portion thereof, an historic alteration permit shall be required. Approval of an administrative historic alteration permit shall be required for the addition of, or modification to non-historic structures on parcels which include a designated landmark, or a building or a site listed in the city of Santa Cruz historic building survey, or on a structure in an historic overlay district, or for minor historic alteration projects. An historical alteration permit is not required for:

- a. Removal, alteration, or maintenance of landscape material or other objects (walls, hitching posts, etc.) unless the landscape elements or historic objects are identified as historically important; and
- b. Alterations to the interior of the building; painting on the interior or exterior of the building.

24.08.915 REVIEW OF APPLICATIONS

1. The applicant shall provide, where applicable, scaled drawings of both existing conditions and proposed work which clearly identifies both existing and new construction, and the extent of demolition, photographs of the property at the time of the application, photographs of adjacent property, and detailed information about the building materials to be used. The commission and the staff may require additional information from the applicant in order to evaluate the application. An application shall not be considered complete and ready for approval or disapproval until all required data have been submitted.

2. When an application involves construction of a new building or of an addition to a building, the applicant may present plans to receive comments from the commission before the preparation of detailed drawings for the project. The comments at that time will be intended to give direction to the applicant, although the comments will not be binding on the commission.

24.08.920 PROCEDURE

A public hearing shall be held by the historic preservation commission, prior to final action on any historic alteration permit application except minor historic alteration projects, as defined in Section [24.22.438](#). Administrative historic alteration permits may be approved for minor historic alteration projects by the zoning administrator without a public hearing. Notice of the hearing shall be given to the applicant and to the public pursuant to the provisions of Chapter [24.04](#). The commission and zoning administrator shall take action on each application after the receipt of a completed application, and the commission's/zoning administrator's procedures may include

discussions with the applicant on modifications to the proposal. The commission and zoning administrator may approve, approve with modifications, or deny an application, and it shall set forth the factual basis for its required findings.

24.08.930 FINDINGS REQUIRED

Prior to approval or modified approval, the historic preservation commission or zoning administrator shall find that:

1. The action proposed is consistent with the purposes of historic preservation as set forth in Section [24.12.400](#) of this title and in the Cultural Resources Element of the General Plan; and one of the following three findings:
2. The project complies with Standards for Rehabilitation approved by the United States Secretary of the Interior; and that the project's:
 1. architectural design;
 2. height and bulk of buildings and structures;
 3. lot coverage and orientation of buildings;
 4. color and texture of surface materials;
 5. grading and site development;
 6. landscaping;
 7. changes to natural features;
 8. antennas, satellite dishes and solar collectors;
 9. off-street parking, signs;
 10. light fixtures and street furniture;
 11. steps, walls, doors, windows, screens and security grills;
 12. yards and setbacks protect and preserve the historic and architectural qualities and the physical characteristics which make the building, structure, or property a contributing feature of the landmark, historic building survey building or historic district; or
3. The applicant has demonstrated that the action proposed is necessary to correct an unsafe or dangerous condition on the property pursuant to Section [24.08.940](#); or
4. The applicant has demonstrated that denial of the application will result in immediate and substantial economic hardship that denies the applicant the ability to make reasonable beneficial use of the property or the ability to obtain a reasonable return from the property.

24.08.940 UNSAFE OR DANGEROUS CONDITIONS.

None of the provisions of this part shall be construed to prevent construction, alteration, removal or relocation necessary to correct the unsafe or dangerous conditions of any structure, other feature, or part thereof, when such condition has been declared unsafe or dangerous by the building official or the fire chief, and where the proposed measures have been declared necessary by such official to correct the said condition. However, only such work as is necessary to correct the unsafe or dangerous condition may be performed. In the event any structure or other feature is damaged by fire or other calamity the building official may specify, prior to the commission's review, the amount of repair necessary to correct an unsafe condition.

Part 11: HISTORIC DEMOLITION PERMIT

24.08.1000 PURPOSE

The purpose of this permit is to ensure that no person shall demolish or cause to be demolished any building listed on the Santa Cruz Historic Building Survey, any designated historic landmark or any building in an historic overlay district without approval of an historic demolition permit. (Ord. 2003-14 § 11 (part), 2003: Ord. 86-13 § 3 (part), 1986: Ord. 85-05 § 1 (part), 1985).

24.08.1010 DEMOLITION OF BUILDINGS LISTED IN THE HISTORIC BUILDING SURVEY

* Editor's Note: See Sections [24.08.1012](#) and [24.08.1014](#).

24.08.1011 INFORMATION ABOUT THE BUILDING PROPOSED FOR DEMOLITION

1. The commission may ask the applicant for an historic demolition permit to provide additional information to help in reaching a decision. The applicant may explain to the commission any problems in supplying information about the property, and the commission may withdraw the request for this information from the applicant.

24.08.1012 DEMOLITION OF BUILDINGS LISTED IN THE HISTORIC BUILDING SURVEY - PROCEDURE

1. Any person desiring to demolish a building listed on the Santa Cruz Historic Building Survey shall first file an application for a historic demolition permit with the planning department. Demolition of any such building may be approved only in connection with an approval of a replacement project. In case of a residential use, Part 14 of this chapter (Residential Demolition/Conversion) shall also apply.

Exceptions: Single-story detached garages, sheds, or other accessory buildings with no identified historic, cultural, or architectural value, as determined by the zoning administrator shall be exempt from this requirement.

2. After giving notice to the applicant and to the public pursuant to the provisions of Chapter [24.04](#), the historic preservation commission shall hold a public hearing and shall take one of the following actions:

- a. Approve Permit. The historic preservation commission may approve the historic demolition permit in conformance with the provisions of Part 14 of this chapter.
- b. Approve Permit, Subject to a Waiting Period of Up to One Hundred Twenty Days to Consider Relocation/Documentation.

(1) During the waiting period, the applicant shall advertise the proposed demolition in a paper of general circulation in the city of Santa Cruz, at least twice during the first, thirty days following the action by the historic preservation commission. Such advertisement shall include the address at which the structure proposed for demolition is located, information as to how arrangements can be made for relocation, and the date after which a demolition permit may be issued. Evidence of this publication must be submitted to the zoning administrator prior to issuance of a demolition permit.

(2) During the waiting period, the historic preservation commission may investigate preservation alternatives such as photographing the building and gathering related historical data.

- c. Continue for Up to One Hundred Eighty Days to Consider Designation as Landmark, or Other Alternatives to Demolition.

- (1) During the continuance period, the historic preservation commission may investigate relocation of the building on site or modification of the building for future uses in a way which preserves the architectural and historical integrity of the building.
 - (2) During the continuance period, the historic preservation commission may initiate an application for a landmark designation for the building and/or site.
 - (3) If the city council fails to designate the structure as an historic landmark within the one hundred eighty days, the demolition permit shall be issued.
 - (4) This continuance may be appealed.
- d. Deny permit

24.08.1014 DEMOLITION OF BUILDINGS LISTED IN THE HISTORIC BUILDING SURVEY - FINDINGS

1. Prior to approval or modified approval, the historic preservation commission shall find that:
 - a. The action proposed is consistent with the purposes of historic preservation as set forth in Section [24.12.400](#) of this title and in the Cultural Resources Element of the General Plan; or
 - b. The applicant has demonstrated that the action proposed is necessary to correct an unsafe or dangerous condition on the property pursuant to Section [24.08.1040](#); or
 - c. The applicant has demonstrated the denial of the application will result in immediate and substantial economic hardship; or
 - d. There are no reasonable alternatives to the demolition as of the time of the hearing.
2. Prior to denial, the historic preservation commission shall find that:
 - a. There are reasonable alternatives to the demolition as of the time of the hearing as demonstrated by specific facts in the record.

24.05.1020 DEMOLITION OF DESIGNATED HISTORIC LANDMARKS

* Editor's Note: See Sections [24.08.1022](#) and [24.08.1024](#).

24.08.1022 DEMOLITION OF DESIGNATED HISTORICAL LANDMARKS – PROCEDURE

1. Any person desiring to demolish a designated historic landmark shall first file an application for a historic demolition permit with the planning department. Demolition of any such building may be approved only in connection with an approval of a replacement, project. In case of residential use, Part 14 of this chapter (Residential Demolition/Conversion) shall also apply.
 2. After giving notice to the applicant and to the public pursuant to the provisions of Chapter [24.04](#), the historic preservation commission shall hold a public hearing and shall take one of the following actions:
 - a. Approve Permit. The historic preservation commission may approve the historic demolition permit in conformance with the provisions of Part 14 of this chapter.
 - b. Approve Permit, Subject to a Waiting Period of Up to One Hundred Twenty Days to Consider Relocation/Documentation.
- (1) During the waiting period, the applicant shall advertise the proposed demolition in a paper of general circulation in the city of Santa Cruz, at least twice during the first thirty days following the action by the historic preservation commission. Such advertisement shall include the address at which the structure proposed for demolition is located,

information as to how arrangements can be made for relocation and the date after which a demolition permit may be issued. Evidence of this publication must be submitted to the zoning administrator prior to issuance of a demolition permit.

(2) During the waiting period, the historic preservation commission may investigate preservation alternatives such as photographing the building and gathering related historical data.

c. Continue for Up to One Hundred Eighty Days to Consider Other Alternatives to Demolition.

(1) During the continuance period, the historic preservation commission may investigate relocation of the building on site or modification of the building for future uses in a way which preserves the architectural and historical integrity of the building.

(2) This continuance may be appealed.

d. Deny Permit.

Part 5: HISTORIC PRESERVATION

24.12.400 PURPOSE It is hereby found that the protection, enhancement, perpetuation and use of structures, districts, lands, and neighborhoods of historic, archaeological, architectural, and engineering significance, located within the city of Santa Cruz, are of cultural and aesthetic benefit to the community. It is further found that respecting the heritage of the city will enhance the economic, cultural and aesthetic standing of this city. The purpose of provisions in this title related to historic preservation is to:

-
1. Designate, preserve, protect, enhance, and perpetuate those historic structures, districts, and neighborhoods contributing to cultural and aesthetic benefit of Santa Cruz;
 2. Foster civic pride in the beauty and accomplishments of the past;
 3. Stabilize and improve the economic value of certain historic structures, districts, and neighborhoods;
 4. Protect and enhance the city's cultural, archaeological and aesthetic heritage;
 5. Promote and encourage continued private ownership and use of such buildings and other structures now so owned and used, to the extent that the objectives listed above can be obtained under such policy;
 6. Serve as part of the Local Coastal Implementation Plan for the Coastal Program.

24.12.420 HISTORIC LANDMARK DESIGNATION/DELETION.

1. Purpose. The purpose of this procedure is to provide for the designation/deletion of an individual structure or other feature, or group of structures on a single lot or site, or a site having special aesthetic, cultural, architectural, or engineering interest or value of an historical nature as a "landmark."

2. Procedure.

a. Designation/deletion of landmarks may be proposed by the city council, historic preservation commission, the secretary to the historic preservation commission (planning director), or on application of the owners, or their authorized agents, of the property for which designation is requested.

b. Each proposal shall be considered by the historic preservation commission at a public hearing, allowing time for notice to the owner or owners of the property and to the public pursuant to the provisions of Chapter [24.04](#). The Commission shall

encourage public participation in the hearing and the presentation of testimony about the property under consideration. The staff may prepare a summary of information about the property prior to the hearing. When recommending the approval of a designation or a deletion, the Commission shall prepare a report setting forth the factual basis for the required findings.

c. After receiving a recommendation from the historic preservation commission, the city council shall hold a public hearing at the earliest possible date of a regular meeting, allowing time for public notice.

3. Findings Required. Prior to the historic preservation commission recommending approval of landmark designation or deletion to the city council and prior to the city council approving the application, each shall find as appropriate:
 - a. That the proposed landmark, or group of structures, or features thereof has or no longer has significant aesthetic, cultural, architectural, or engineering interest or value of an historical nature.
 - b. That approval or modified approval of the application to designate or delete a landmark is consistent with the purposes and criteria of the city's historic preservation policies set forth in Section [24.12.400](#) herein, and the Cultural Resources Element of the General Plan.

24.12.440 SANTA CRUZ HISTORIC BUILDING SURVEY.

1. Background – Availability. The Santa Cruz Historic Building Survey, Volume I – prepared for the city of Santa Cruz by Charles Hall Page and Associates Inc., and published in 1976, and Volume II – prepared by John Chase, Daryl Allen and Jeanne Gordon, and published in 1989, is hereby adopted, as amended, as the Santa Cruz Historic Building Survey, and is incorporated herein by reference. Three copies of said building survey are, and shall be, maintained on file in the office of the city clerk, city of Santa Cruz, for the use of, and examination by, the public. See Chapter [24.08](#) for permits and requirements relating to Historic Building Survey buildings.

2. Procedure for Amending Historic Building Survey.

a. The city council may amend the Historic Building Survey by resolution by adding buildings or property to the survey or deleting buildings or property from the survey. This shall be done following a recommendation by the historic preservation commission. The historic preservation commission shall report to the city council on changes to buildings or property listed on the survey, and the commission shall recommend initiation of a new survey when there is a need to update the Historic Building Survey.

b. A public hearing shall be held by both the city historic preservation commission and the city council, allowing time for notice to the owner or owners of the property and to the public pursuant to the provisions of Chapter [24.04](#).

c. Actions by both bodies shall be based on the following criteria:

The property is either a building, site, or object that is:

1. Recognized as a significant example of the cultural, natural, archaeological, or built heritage of the city, state, or nation; and/or
2. Associated with a significant local, state, or national event; and/or
3. Associated with a person or persons who significantly contributed to the development of the city, state, or nation; and/or

4. Associated with an architect, designer, or builder whose work has influenced the development of the city, state, or nation; and/or
5. Recognized as possessing special aesthetic merit or value as a building with quality of architecture and that retains sufficient features showing its architectural significance; and/or
6. Recognized as possessing distinctive stylistic characteristics or workmanship significant for the study of a period, method of construction, or use of native materials; and/or
7. Retains sufficient integrity to accurately convey its significance.

The district is:

8. Recognized as a geographically definable area possessing a significant concentration of buildings that are well designed and other structures, sites, and objects which are united by past events or by a plan or physical development; or is
9. Recognized as an established and geographically definable neighborhood united by culture, architectural styles or physical development.
 - d. Upon the initiation of an amendment to the Historic Building Survey to add a building or buildings, no zoning or building or demolition permit shall be issued for a period of sixty days or until final action by the city council, whichever occurs first. An exception may be made where public health and safety require it. A public hearing shall be held upon any initiation of an amendment to the Historic Building Survey.

Craig French
French Resources Group, Inc.
911 Center Street, Suite B
Santa Cruz, CA 95060

October 17, 2014

Ms. Karen Geisler
California Coastal Commission
Central Coast District Office
725 Front Street, Suite 300
Santa Cruz, CA 95060

RECEIVED

OCT 20 2014

CALIFORNIA
COASTAL COMMISSION
CENTRAL COAST AREA

Dear Ms. Geisler,

I am writing to provide some information that may be helpful in your analysis of whether the appeal of the approval of the La Bahia Project ("Project") raises a substantial issue of compliance with the City of Santa Cruz's Local Coastal Program ("LCP"). The appeal raises four issues, all of which purportedly relate to the LCP. For the reasons stated below, none of the allegations raise a substantial issue of the Project's consistency with the LCP.

First, the appeal alleges that the Project is inconsistent with LCP Policy 2.1 because it will involve demolition of part of the historic La Bahia Apartment Complex, a City historic landmark. LCP Policy 2.1 encourages restoration and rehabilitation of historic and architecturally-significant buildings and landmarks, but neither requires restoration and rehabilitation nor prohibits demolition. Further, as documented during the administrative process, the City Council determined that full restoration and rehabilitation of the La Bahia Apartment Complex, even for continued apartment use, is economically infeasible, and therefore granted permits allowing partial demolition of the structure. Notably, appellant has not challenged the City's infeasibility findings or statement of overriding considerations.

Second, the appeal alleges that the Project is inconsistent with an LCP implementing measure, Municipal Code section 24.10.618, because it does not maintain all of the character defining features of the La Bahia Apartment Complex. The relevant sentence of the Municipal Code provision at issue is, "It is the intent of this zoning that preservation of La Bahia be conducted in accordance with the measures described in the certified final Environmental Impact Report for the Beach and South of Laurel Comprehensive Area Plan." As explained in the EIR for the Project ("EIR" or "FEIR"), the Project is being conducted in accordance with the measures in the certified final Environmental Impact Report for the Beach and South of Laurel Comprehensive Area Plan ("B/SOL Area Plan EIR"). (FEIR at 4-242.)

The B/SOL Area Plan EIR has three mitigation measures related to the La Bahia Apartment Complex:

- (1) Should a development project proceed on the La Bahia Apartments site that is determined to follow the recommendations contained in the Architectural Resources Group (ARG) report titled, La Bahia Apartments, Santa Cruz, California-Architectural Analysis and Recommendations for New Development, February 20, 1998, (which is presented in

Appendix C of this EIR), then, in the opinion of the consulting architectural historians, there will be a less than significant impact on the historic character of the existing La Bahia Apartments complex. At the time a specific project is proposed for the La Bahia, the applicant, shall coordinate with the Planning Staff and a historic preservation consultant to ensure that the proposed plan retains the major contributing features of the La Bahia complex;

- (2) Prior to alteration of the La Bahia, documentation of the historic building, and important contributory elements shall be documented according to the level of detail required by the Secretary of the Interior's Standard I for Historic American Building Survey (HABS) documentation; and
- (3) If potential historic resources such as the La Bahia Apartments are to be altered or demolished, incorporating part of historic building into project design or salvaging significant building features shall be considered during project design.

Read together, the B/SOL Area Plan EIR mitigation measures for the La Bahia Apartment Complex do not require the Project to retain all of the character defining features identified in ARG's report, despite appellant's arguments to the contrary. Instead, subparagraphs 2 and 3 expressly contemplate the possibility that the current structure may be altered or demolished.

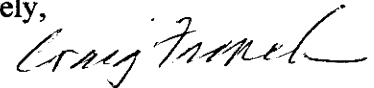
Moreover, the Project complies with the B/SOL Area Plan, including its mitigation measures. (FEIR at 4-242 [City's response to claim that the Project is inconsistent with the mitigation measures in the B/SOL Area Plan EIR]; see FEIR at 4-217-4-233 [City's response to appellant's comments regarding the B/SOL Area Plan's policies on preservation, heritage tourism, design, and other B/SOL Area Plan objectives].) Consistent with the first mitigation measure, the Project applicant and City coordinated with a historic preservation consultant, and the EIR concludes that the Project will have a significant and unavoidable impact on historic resources because it does not follow ARG's recommendation to preserve the existing courtyards. (EIR at 4.2-16-4.2-17.) Consistent with the second mitigation measure, the Project applicant must document the La Bahia Apartments prior to demolition in accordance with HABS standards. (EIR at 4.2-17-4.2-18.) Consistent with the third mitigation measure, the Project applicant considered and is incorporating part of the historic La Bahia Apartments into the project design (EIR at 3-4) and must salvage other significant building features (EIR at 4.2-18). Thus, the City's approval of the project is consistent with the mitigation measures contained in the EIR for the B/SOL Plan, and the appellant has failed to raise a substantial issue that the Project is inconsistent with Municipal Code section 24.10.618.

Third, the appeal claims that that the Project is inconsistent with the B/SOL Area Plan Findings of Fact & Statement of Overriding Considerations, but the LCP does not include the B/SOL Area Plan Findings of Fact & Statement of Overriding Considerations. Thus, any alleged inconsistency with that document fails to raise a substantial issue with LCP compliance. Further, as discussed above, the Project is fully consistent with the parts of the B/SOL Area Plan that have been incorporated into the LCP through Municipal Code section 24.10.618, namely, the mitigation measures related to the La Bahia Apartment Complex.

Fourth, the appeal alleges that the extent of demolition is inconsistent with a zoning regulation regarding a requirement to retain major contributing features. The appellant has not identified the zoning regulation to which he refers, and no such regulation exists. If appellant is referring to Municipal Code section 24.10.618, then, for the reasons discussed above, that section does not require that the major contributing features of the La Bahia Apartments be retained.

In sum, the appellant has not met his burden to raise a substantial issue with the Project's consistency with the LCP or the public access policies in the Coastal Act, and in fact raised no concern with respect to public access. (See Pub. Resources Code § 30625(b)(2).) If you have any questions or need additional documents to help in your decision making, please do not hesitate to contact me. I look forward to working productively with you through the appellate process.

Sincerely,

A handwritten signature in cursive script, appearing to read "Craig French".

Craig French

LETTER 8 – Ross Eric Gibson

NOTE: The submitted letter is a compilation of text, photographs and images that is not presented in a typical "letter" format. Given the size and amount of photos, a black-and-white copy has been produced for this FEIR, but the full color version is available for review on the City's website, at the City of Santa Cruz Planning and Community Development Department, and at the Santa Cruz Public Library, downtown branch.² A good faith effort has been made to respond to significant environmental issues raised. It is also noted that the commenter includes multiple references to General Plan, Local Coastal Plan (LCP) and/or Beach and South of Laurel Comprehensive Area Plan (B/SOL Area Plan) policies and text that are often outdated and/or incorrectly cited. For example, the City adopted an updated *General Plan 2030* in 2012 that supersedes General Plan policies contained in the former *General Plan/LCP 1990-2005* document, although the LCP policies in the 2005 document remain in effect. Additionally, many cited page numbers and other citations to the B/SOL Area Plan and B/SOL Plan Design Guidelines appear to be taken from earlier draft versions of the plan and not from the final adopted plan. The final adopted B/SOL Area Plan, which includes the Plan's Design Guidelines, can be reviewed on the City's website at: <http://www.cityofsantacruz.com/index.aspx?page=1171>. Lastly, the commenter repeatedly references the hiring of the Architectural Resources Group (ARG) by the project applicant. However, ARG was hired as part of the City's EIR consultant team as indicated on page 4.2-1 of the DEIR and is consistent with the B/SOL Area Plan recommendations that a historic preservationist be retained by the City.

8-1 **Historical Status and Preservation.** The comment indicates that the La Bahia was determined to be eligible for listing on the National Register of Historic Places and a greater effort should be made to protect the "landmark". The comment is acknowledged. The DEIR analysis indicates that the La Bahia is eligible for listing in both the National and California Registers and also discloses that the complex is designated as a landmark by the City of Santa Cruz. The comment suggests that the B/SOL Area Plan describes rehabilitation of the La Bahia landmark so it won't lose its eligibility, but the B/SOL Plan does not state this. Page 109 of the B/SOL Area Plan, cited by the commenter, indicates that the developer should work with a historic preservationist retained by the City to meet the Plan's Design Guidelines. The comment also suggests that La Bahia has specific protocols for how to preserve or restore a structure, but the comment is not clear as to what this means. The DEIR provides a full review of the history of the La Bahia site, its status as a local historic resource and eligibility for listing, and analyzes impacts related to demolition and rehabilitation of a portion of the site in Chapter 4.2 of the DEIR.

It is also noted that the commenter's GP/LCP citations are not accurate. The citation for page 1-89 refers to a former General Plan policy (but not a LCP policy) that encourages historic preservation rather than demolition; this policy is superseded by

² The Planning Department is located at 809 Center Street, Room 107, Santa Cruz, California and the color letter is available for review during business hours: Monday through Thursday, 8 AM to 12 PM and 1 PM to 5 PM and is available online at: <http://www.cityofsantacruz.com/index.aspx?page=1775>.

policies in the City's *General Plan 2030*. The GP/LCP citation for page 1-37 includes a table identifying underdeveloped and underutilized lands that is not relevant to the project. The B/SOL Plan page 287 citation does not contain text, although a draft version discussed public services, not rehabilitation of La Bahia as suggested in the comment.

8-2 CEQA Requirements for Preservation. The comment states that "if a project can be done with preservation, a similar one cannot be approved without preservation" and cites Public Resources Code section 21061.1. The cited CEQA section provides a definition of "feasible,"³ but does not address historic preservation or alternatives as suggested by the commenter. As indicated on page 1-4 of the DEIR, CEQA requires that a public agency decision-making body make findings when approving a project where significant impacts have been identified. These findings would address mitigation measures and/or alternatives to reduce or eliminate significant impacts, including impacts on historical resources, and often conclude that proposed mitigation measures or alternatives are "infeasible." So it is not accurate to state, as the commenter does, that "if a project can be done with preservation, a similar one cannot be approved without preservation." Alternatives that preserve historical structures are sometimes infeasible. The commenter also indicates that the approved 2003 project is a legitimate alternative. The 2003 approved project on the La Bahia site was considered as an alternative in this EIR, but eliminated from further consideration in the DEIR for reasons explained on pages 5-22 and 5-23 of the DEIR.

8-3 Project Concerns. The comment states that the project exceeds the "carrying capacity" of the site, is traffic-intensive, does not replace trees and that any plan that doesn't preserve the majority of La Bahia should be rejected. The comment regarding the project exceeding the carrying capacity of the site is acknowledged, but does not specifically address analyses in the DEIR. Project traffic impacts are addressed on pages 4.3-13 through 4.3-20. See Response to Comment 8-27 regarding heritage trees.

The comment also asks that the project be "reset" to start with the "required preservationist" guiding the project. The comment is noted and referred to City decision-makers, but does not specifically address analyses in the DEIR and no further response is necessary. As indicated above, ARG was part of the City's EIR team. It is also noted that the comment also states that the B/SOL Plan named La Bahia the third most important economic asset for Heritage Tourism. The B/SOL Plan does disclose that the federal government had been investigating "Heritage Areas" throughout the country, and recommends that the City develop a strategy to develop "Heritage Tourism". The B/SOL Area Plan notes the City's major historic assets, which includes La Bahia, but no order of importance is assigned; see also Response to Comment 8-8.

³ The definition in section 21061.1 states: "'Feasible' means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social and technological factors."

8-4 La Bahia Landmark Recognition. Nine plaques and descriptions are offered by the commenter to recognize La Bahia as a landmark. The La Bahia was designated as a City "landmark" by the City Council in January 2002, as indicated on page 4.2-9 of the DEIR. The 1984 historical review of the La Bahia site identified in the comment does indicate that the scoring breakdown in the City's *Historic Building Survey* "makes it clear that inclusion of La Bahia in the rating of Excellent was based on its architectural significance; had historical significance been included as part of the survey, the score could have reached into the category of 'Exceptional,'" as suggested by the commenter. However, the commenter indicates that the City's consultant, Ward Hall, determined in 1996 that the La Bahia was eligible for listing on the California and National historic registers. The referenced 1996 review included review of five structures including the La Bahia, and concluded that it is "likely" that the La Bahia is eligible for listing in the National Register and "also appears to be eligible" for the California Register. The DEIR text has been revised to include these clarifications; see the CHANGES TO DRAFT EIR (3.0) section of this document. Furthermore, the records search conducted as part of the archaeological reconnaissance in 2001 reported that the National Register evaluation had not yet been completed.⁴ The 2013 analysis conducted by Architectural Resources Group for this EIR did conclude that the La Bahia is eligible for both the California and National Registers. Since the comment does not directly address analyses contained in the DEIR, no attempt has been made to verify the accuracy of the statements associated the pictures provided.

8-5 National Register Criteria. The comment provides a header entitled "National Register Criterion A: Association with Significant Pattern of Events", followed by photos and statement implying that the La Bahia was a naval convalescent hospital during World War II that was visited by Hollywood stars. The naval hospital was set up at the former Casa del Rey hotel during World War II, and the La Bahia served as an annex to the hospital, as indicated in the DEIR on page 4.2-6. The City and its consultants are unaware of any documentation demonstrating La Bahia's association with any Hollywood stars. The DEIR already concludes that the La Bahia is eligible for listing under NRHP Criterion A for its association with the development of Santa Cruz's beachfront in the 1920s and 1930s (see page DEIR 4.2-11).

Similarly, the comment provides a header entitled "National Register Criterion C: Architectural Significance", followed by photos of the architect, William C. Hays, lamp maker, John N. Otter, and John Howard Galen, who started the University of California at Berkeley's School of Architecture. The DEIR historical analysis contained in Appendix C of the DEIR and summarized on page 4.2-11 of the DEIR found the property eligible under this criterion as an excellent example of the Spanish Colonial Revival style and due to its association with the architect William C. Hays. Other statements in the text, such as La Bahia is an "excellent example of California's Mediterranean School of Architecture", are immaterial to the conclusion in the DEIR, and the City and its consultants are not aware of any such nomenclature. Several pages of photographs related to Hays and Galen's architecture, as well as photos of

⁴ Archaeological Consulting. November 2001. "Preliminary Archaeological Reconnaissance of Assessor's Parcel 005-213-02 & -03, Santa Cruz, Santa Cruz County, California."

lights suggested to be associated with John N. Otter, are presented by the commenter. As the conclusion with eligibility under this criterion has been made in the DEIR, no attempt has been made to verify the accuracy of the statement and associated pictures presented by the commenter.

Lastly, the comment includes a picture with a header entitled "National Register Criterion D: Archaeological Resources" and states that the Court of the Mariners is named for its spring-fed fountain, where Spanish-era ships got drinking water. As discussed in Response to Comment 8-24, there was no confirmation of the existence and use of such a spring during research conducted for the 1984 historic investigation. In any case, a natural spring, if it did exist, is a physical feature and not necessarily related to an archaeological resource. The state and federal registers indicate that a property would be eligible under this criterion if it has "yielded, or is likely to yield, information important to prehistory or history." The archaeological reconnaissance for the property, which included a literature and records search, did not find evidence of significant historic archaeological resources during the reconnaissance (Archaeological Consulting, 2001). See also Response to Comment 8-24.

- 8-6 La Bahia Courtyards. Several pages of photographs and notes are provided by the commenter regarding La Bahia's courtyards, which include statements regarding potential modifications. As indicated on page 4.2-8 of the DEIR, the courtyards were labeled Courtyards #1 and #2 on the original building plans. One of the photo captions notes a "natural spring" from one of the fountains in the courtyards, but as indicated in Response to Comment 8-5, there is no documentation that a natural spring exists. As the comment does not address analyses in the DEIR, no further response is necessary.
- 8-7 Tourist Economy. The comment indicates that, along with agriculture in Santa Cruz County, tourism is the "top economy[y]" in the City and provides examples of what the commenter believes to be key elements of tourism. The comment is acknowledged, but does not address environmental analyses in the DEIR, and thus, a response is not necessary.
- 8-8 B/SOL Strategy: Heritage Tourism. Background information on "heritage tourism" is provided by the commenter, in part from the B/SOL Area Plan and is so noted, but the comment does not specifically address analyses in the DEIR, and thus, a specific response is not necessary. Nonetheless, it is noted that the B/SOL Plan page citations in the comment do not discuss heritage tourism, which is discussed on pages 239-240 of the final adopted Plan. The B/SOL Area Plan identifies two recommendations (not goals as suggested by the commenter) to develop a "Heritage Tourism marketing strategy, emphasizing historic assets of the Wharf, the Boardwalk, surrounding neighborhoods – particularly Beach Hill and Downtown neighborhoods." The commenter's text does not accurately describe the B/SOL Plan's reference to historic resources. In particular the Plan does not identify La Bahia as the "third most important 'economic asset' on the waterfront." Specifically, the Plan states the following, which as been added to the DEIR (see the CHANGES TO DRAFT EIR (3.0) section of this document):

"The planning process has identified the great strength of Santa Cruz's rich historic legacy in the Beach Area and has specifically designed recommendations which build upon it. Among its major historic assets are:

- › the Boardwalk: the last remaining Pacific Ocean Park in American, designated a California State Historic Landmark in 1989,*
- › the 1911 Charles Lof Carousal, a National Historic Landmark,*
- › the Giant Dipper Roller Coaster, a National Historic Landmark,*
- › the Santa Cruz Historic Wharf,*
- › the La Bahia Apartments, listed on the Santa Cruz Historic Building Survey,*
- › the Southern Pacific Depot, listed on the Santa Cruz Historic Building Survey, and*
- › the proposed Historic Preservation District of Beach Hill.*

The study's recommendations regarding zoning, design guidelines and development standard combine to reinforce the historic underpinnings of the Beach area. The sensitive expansion and reuse of the La Bahia into a quality conference hotel, the review and revitalization of the Wharf, the return of a charming, historically designed open air shuttle will all contribute substantially to recreating the historic ambiance of the Beach's earlier resort style. Linkage with the rebuilt Downtown shopping district is a definite plus."

8-9 La Bahia Development Background. The commenter provides his opinion of the background of development proposals for the La Bahia site. It is noted that the commenter erroneously asserts that the City's experts hired as part of the B/SOL Area Plan development "concluded the La Bahia was eligible for the National Register of Historic Places." Past studies actually concluded that the project was *likely* eligible for listing; see Response to Comment 8-4. The historical resources report prepared as part of this EIR provided the evaluation and conclusion. See also Response to Comment 8-1, as text is duplicated from this previous comment. The comment does not specifically address analyses in the DEIR, and thus, no further response is necessary. The comment's note on the lower left-hand corner of the comment implies that the approved 2003 "Swenson Plan" was "viable" as it was included as an alternative for the hotel proposal in the 2008 EIR. However, in approving the hotel proposal in 2009, rather than an alternative based on the 2003 project, the City Council relied on expert evidence that this alternative was infeasible. (See also page 5-22 of the DEIR). The commenter also suggests that without a larger project (with site to the east), the B/SOL Plan envisioned a smaller hotel. However, the B/SOL Plan never intended to force a larger project or preclude a project only on the La Bahia site, and the current smaller project is consistent with recommendations in the B/SOL Area Plan. Additionally, the Seaside Company does not own or control the other properties that would have comprised a larger project. (See also pages 4-23 to 5-24 of the DEIR regarding an alternative to combine with the property to the east.)

8-10 Differentiation. The commenter references the Secretary of Interior Rehabilitation Standard #9 that calls for new additions to be differentiated from historic portions of a building, and provides opinions on what this might mean. The commenter opines that early discussions about La Bahia "suggested identical craftsmanship" with

differentiation being the "modern spray-on sandpaper finish stucco to contrast with the variety of fancy trowelwork finishes used on the historic structure," but it is not known where this suggestion might have originated. The comment does not specifically address environmental analyses in the DEIR, and thus no further response is necessary.

- 8-11 La Bahia Building Style. The commenter states that the B/SOL Plan and Guidelines require Spanish Colonial style for new construction at the La Bahia site and presents opinions on architecture that suggests the proposed design is the wrong building style for the project. The commenter's opinion is noted. The comment does not specifically address analyses in the DEIR, and thus, no further response is necessary.
- 8-12 Historic Preservation. The commenter provides references to Mission architectural styles, California Missions, and the 1997 ARG report, but does not specifically address analyses in the DEIR, and thus, no response is necessary.
- 8-13 Recent Hotel Construction and La Bahia Parking. The commenter identifies hotel projects constructed within the City over past few years and suggests that as a result there is no longer a need to "overbuild the La Bahia site." The commenter's opinion is so noted, but does not specifically address analyses in the DEIR, and thus, no further response is necessary. The commenter also claims that the project will create a 65-space parking deficit, which is incorrect. As discussed on page 4.3-21 of the DEIR, the project parking supply is adequate.
- 8-14 Development Process. The commenter indicates that the City Council "negotiated a deal" in 1997-98 that resolved issues of protecting neighborhoods and landmarks and adding hotel rooms to the La Bahia site. The commenter's text is followed by photos of photos of other inns and hotels as suggested models for La Bahia. It is unclear as to what "deal" is being referenced, but it appears that the commenter is referring to the studies that were prepared for the City as part of the development of B/SOL Area Plan in which a final recommendation for the La Bahia site was made. These studies did not result in any legally binding "deal" that the current project proposal must satisfy, though to the extent that the studies resulted in policy language found in the B/SOL Plan, the project satisfies its obligations under such plan language. The comment is acknowledged, but does not specifically address environmental analyses in the DEIR, and thus no further response is necessary. It is noted that the commenter suggests that "an EIR is developer-centered as the sole decision-maker," although the context of the comment is unclear. However, as explained on page 1-1 of the DEIR, the EIR was prepared for the City of Santa Cruz, and one of the purposes of an EIR is to inform governmental decision-makers and the public about potential significant effects of a project. The City Council, and not the developer, will make the final decision regarding what sort of design is appropriate for the project site.
- 8-15 Adjacent Uses and Building Heights. The commenter suggests that the La Bahia is the "centerpiece and focal-point" of a "tourist apartment district" that surrounds the site with a mix of building heights. The comment is noted, but it is further noted that adjacent structures include motels and hotels on Westbrook and Main Streets, and a mix of single-family homes and inns along First Street. The DEIR notes a mix of building

heights in the surrounding area on page 4.1-1 of the DEIR. The comment does not specifically address analyses in the DEIR, and thus, no further response is necessary.

- 8-16 Construction-Related Vibration. The commenter references the EIR in that it identifies vibration from excavation as an adverse impact on the portion of the La Bahia to be saved and adjacent buildings. The commenter further suggests that this is "fracking" and also provides accounts of his experiences with construction and theories about excavation. The DEIR does address potential impacts to historic buildings due to vibration resulting from construction (see pages 3.2-24 to 3.2-25). However, the as indicated on page 4.2-26 of the EIR, most construction equipment would not result in the levels of vibration that would cause harm to buildings. The primary concern was related to the ground improvement technique to mitigate liquefaction hazards, which involves installation of stone columns via a vibrator to create a denser soil. It does not occur by "fracturing" bedrock. As indicated on page 4.2-25, this technique could result in potential adverse effects to the onsite retained portion of the La Bahia, but not to offsite historic structures given the distance. Mitigation Measure 4.2-5a sets forth a detailed process for monitoring vibration during construction to prevent damage to historic structures within 50 feet of this construction component. Demolition and the geotechnical preparation of the site are expected to take approximately four months.

Additionally, the short-term period of this construction element would be expected to be perceptible to nearby residents. As indicated on page 4.2-25 of the DEIR, the vibro-displacement stone column technique could result in a vibration level of approximately 0.1 inch/second (in/sec) PPV (Peak Particle Velocity), the threshold for potential damage to historic buildings. As shown on page, 4.2-3, most construction equipment (i.e., bulldozer, tucks, jackhammer) are below this level. Vibration related to construction is estimated to be slightly perceptible at 0.012 in/sec, distinctly perceptible at 0.035 in/sec, and strongly perceptible at 0.10 in/se (Caltrans, June 2004). While the vibration of installation of the vibro-compaction columns could be strongly perceptible to some nearby residents, it would be of short duration, and the remainder of construction activities would be below this level.

- 8-17 Onsite Natural Spring. The commenter suggests that the project site had an ephemeral creek and spring and cites a report prepared for John Gilchrist and Associates in 1984 that says this spring was a feature noted in Spanish days. The comment also states that the spring may be discovered during construction. As indicated in Response to Comment 8-24, the cited 1984 study indicated that no documentation was found to support this "local legend" about an onsite spring. Furthermore, geotechnical studies conducted for the project site have identified perched groundwater at the site. As indicated on page 4.6-8 of the DEIR, the geotechnical investigations conducted at the site indicates that groundwater was encountered in most of the soils borings, perched above the bedrock. However, a natural spring is where underground water flows onto the ground surface, which is not evident at the project site. Mitigation Measure 4.6-1 requires implementation of recommendations in the project geotechnical report, which includes the recommended measures to address encountering groundwater during construction, such as dewatering.

- 8-18 B/SOL Objectives. The commenter references the B/SOL Area Plan objectives and Design Guidelines and his opinion of the history of City review of previous proposed projects at the project site as well as the suggestion that the B/SOL Plan Design Guidelines require a higher degree of design review in the Beach and South of Laurel area. However, the comment does not specifically address environmental analyses in the DEIR, and thus a specific response is not necessary. It is noted that commenter cites page 135 of the City's 2005 General Plan/LCP as indicating that the B/SOL Area Plan objectives "take precedence" over the General Plan. However, this citation actually indicates that area plans adopted as part of the General Plan take precedence over land use descriptions on the General Plan Land Use Diagram. The B/SOL Area Plan does not include a land use designation that differs from the existing LCP or General Plan land use designation. The DEIR describes relevant plans and policies in section 4.7 of the DEIR. Furthermore, the B/SOL Area Plan does not establish specific objectives, although the Design Guidelines do state that "to ensure that the objectives of the Beach Area/SOLA Plan are met, it is necessary to exercise a higher degree of design review oversight than currently provided in the zoning district regulations" as suggested by the commenter.

The commenter also references the City's Historic Preservation Commission (HPC) and suggests that its decision on the last La Bahia proposal was ignored. According to the City's Municipal Code section 24.0.121, the Historic Preservation Commission shall have power and be required to: (a) draft and recommend measures to implement the historic preservation plan, including an historic preservation ordinance, to the city council; and (b) perform such other administrative and advisory functions as may from time to time be delegated to the commission by ordinance or resolution. Pursuant to Municipal Code sections 24.08.900 and 24.08.1012, the Commission is responsible for approving historic alteration permits and demolition of buildings listed in the City's Historic Building Survey. Decisions of the HPC may be appealed to the City Council. However, pursuant to Municipal Code section 24.04.150, whenever a project requires more than one permit, the permits shall be processed concurrently, and where authority normally rests with more than one decision-making body, final action shall be taken by the decision-making body with the highest authority, which in the present case is the City Council. It is also noted that the commenter's reference to the developer hiring ARG is incorrect as ARG is part of the City's consultant team as explained in the Note at the beginning of the responses to this letter

- 8-19 Landmarks Policy and Historic Districts. The comment states that the B/SOL Design Guidelines support preservation for landmarks, requiring historic buildings and new development next to historic buildings to follow "Conservation District" guidelines whether in such a district or not. The section of the Design Guidelines cited in the comment is from section III.C.1 that indicates "additions or remodeling to buildings that exhibit a distinct historic architectural style shall adhere to the guidelines for Conservation Districts" that are included in section III.G of the Guidelines. The project site is not located within or adjacent to any areas that are zoned with a Conservation Overlay. The referenced section III.G is general in describing Spanish Colonial Architecture features. However, there a number of guidelines that address architecture, and City staff has conducted a preliminary review that the proposed project is consistent with the Design Guidelines, as indicated on page 4.7-9 of the

DEIR. As indicated in Response to Comment 2-1, the DEIR incorrectly reported that the project did not meet the minimum 15-foot floor to ceiling height for street commercial spaces as the project proposes 12 feet. Upon re-examination, it is noted that the B/SOL Guidelines do allow for a minimum 12-foot minimum floor-to-ceiling height to encourage retail activity, which has been clarified in the DEIR text. See the CHANGES TO DRAFT EIR (3.0) section of this document. A full review of project consistency with the Design Guidelines will be provided in the staff report for the project.

It is also noted that the comment cites the Design Guidelines with regard to preservation of Beach Hill and formation of a historic district for that area, which is not directly specifically applicable to the proposed project location in the Beach Commercial subarea. The historic district recommended for the Beach Hill in the B/SOL Area Plan is located north of the Second Street and is not contiguous to the proposed project site. Furthermore, there are no specific guidelines in the B/SOL Design Guidelines that support preservation of landmarks as suggested by the commenter. Several of commenter's references to Beach Hill policies are not relevant to the proposed La Bahia project. The commenter also cites the Design Guidelines with respect to intent of the Guidelines, although the Guidelines do not refer to restoration of La Bahia as suggested by the commenter.

- 8-20 La Bahia Guidelines. The comment cites the B/SOL Area Plan Design Guidelines regarding building styles and historic areas, and states that La Bahia is cited as a prime example of Spanish Colonial style to emulate in new construction, although the citations generally are not correctly cited. For example, the comment states that the B/SOL Design Guidelines indicate that "new buildings shall emulate the finest architecture of the community", such as the "fine examples of [Spanish Colonial Revival style] evident in the nearby La Bahia Apartments and Casa Blanca Hotel," but this citation does not exist in the adopted Guidelines. In describing the community character of the Beach Commercial subarea, section IV of the Design Guidelines indicates that development opportunities in the Beach Commercial area include new hotel and conference facilities and "improved visitor serving commercial development." The text further indicates that: "These contemporary opportunities shall emulate the past era when Santa Cruz was a prominent seaside resort. Hotels, such as the Sea Beach, incorporated significant scale with unique architecture that complemented the Victorian villas of Beach Hill" (page 78). The text and one guideline in this section do indicate that "Spanish Colonial Revival architecture shall be used to establish the Beach Commercial design character in proximity to the La Bahia Apartments and Casa Blanca Hotel" (page 82). It is also noted that this cited guideline also states that "While Spanish Colonial Revival is considered dominant, the architectural styles of the Beach Area includes a mix of characteristics of Mission Revival and Mediterranean architecture resulting in a general 'Spanish Resort' style." Furthermore, there are no specific guidelines that specifically address development of the La Bahia site as suggested in the comment.

- 8-21 Historic Preservation Policies and Historic Building Survey. The commenter presents background information on City character, preservation policies and the Historic Building Survey, part of which are from the City's 2005 General Plan/LCP and expresses an opinion that restoration or adaptive reuse is being misinterpreted. The

comment is noted, but does not specifically address analyses in the DEIR, and thus no further response is necessary. However, it is noted that some cited policies are from the City's former General Plan, which have been superseded by the City's *General Plan 2030*, and are misquoted. For example, CR2.1.2, which is not a LCP policy, relates to retrofitting historic structures to preserve their exterior appearance, but this program does not specifically "encourage rehabilitation" rather than demolition of historic buildings as suggested in the comment. Policy CR2.1 is a LCP policy that states "Protect and encourage restoration and rehabilitation of historic and architecturally-significant buildings and landmarks."

- 8-22 Use of Certified Local Government Protections. The comment indicates that the Santa Cruz City Historic Preservation Commission became a Certified Local Government in 1995 and that furthering national preservation goals for a National Register-eligible landmark such as the La Bahia is the obligation of a Certified Local Government. The commenter is correct that the City became a Certified Local Government (CLG) in 1995. According to the State Office of Historic Preservation:

"The Certified Local Government (CLG) Program is a partnership among local governments, the State of California (OHP) and the National Park Service which is responsible for administering the National Historic Preservation Program. The CLG program encourages the direct participation of local governments in the identification, evaluation, registration, and preservation of historic properties within their jurisdictions and promotes the integration of local preservation interests and concerns into local planning and decision-making processes" (City of Santa Cruz, January 2014).

The City, as part of its CLG status has adopted a historic preservation ordinance (HPO) that provides for the protection, enhancement, and perpetuation of significant cultural resources in the GP Area. The HPO provides the statutory framework for local preservation decisions, and contains sections governing the following topics:

- Historic District Designation (Part 2, Chapter 24.06);
- Historic Landmark Designation (Section 24.12.420);
- Archaeological Resource Procedures (Section 24.12.430);
- Procedure for Amending Historic Building Survey (Section 24.12.440);
- Procedure: New Construction in Historic Districts (Section 24.12.450);
- Historic Alteration Permit (Part 10, Chapter 24.08);
- Historic Demolition Permit (Part 11, Chapter 24.08); and
- Historic Overlay District (Part 22, Chapter 24.10).

Thus, the City's status as a CLG does not take away the City's legislative discretion to approve alteration or demolition of historic buildings, but the ordinances established as part of this status sets for the process in which such decisions are to be undertaken. It is also noted that the commenter's reference to the developer hiring ARG is incorrect as ARG is part of the City's consultant team as explained in the Note at the beginning of the responses to this letter.

8-23 Strategies for Preservation. The comment cites a number of policies and programs from the former 2005 General Plan regarding historic preservation, landmarks and protection of historic areas and offers opinions and/or interpretations regarding applicability to the proposed project. However, many citations generally have been superseded by the City's adopted *General Plan 2030* or are not LCP policies, and are incorrectly cited, are not relevant to the proposed project and/or offer the commenter's interpretation. While the comment does not specifically address environmental analyses in the DEIR, and thus no further response is necessary, some incorrect citations in the comment are identified below. It is noted, however, that the commenter correctly cites the following LCP policies regarding historic preservation and/or landmarks: CD3.5 [development in relation to landmarks and historic areas and buildings], CR2.3 [City administrative and review procedures to recognize and protect historic resources], and CR2.3.2 [program to identify and protect historic and archaeological resources]. As indicated on pages 4.7-9 to 4.7-10 of the DEIR, project consistency with all applicable adopted plans, including the LCP, will ultimately be determined by the City Council.

- Cited policies that are former General Plan policies, which are not LCP policies, and thus no longer pertinent include: CD3.5.2, CD4.2, CR2.1.1, CR2.1.2, CR2.1.3, CR2.1.3.1, CR2.2, CR2.2.3, CR2.3.1, CR2.3.4, CR2.4, CR2.4.1, CR2.4.2 and cited Maps CD-4 and CD-5.
- "*Be Flexible in Favor of Preservation*" - The cited Land Use Policy 3.3.1, is a LCP program under the policy regarding development adjacent to natural areas and agricultural lands, that calls for use of planned development and other techniques that allow clustering to "protect resources and views and allow for siting that is sensitive to adjacent uses," but does not address historic resources as suggested in the comment. The pro
- "*Save Landmark's Chief Façade*" - The comment suggests that the B/SOL Plan and Guidelines call for protection of the Beach Street façade, but most citations are not correct. It is noted, however, that the B/SOL Plan and supporting studies call for retaining La Bahia's "character-defining elements" if the existing La Bahia structure is to be preserved, as discussed on pages 4.2-10 to 4.2-11 of the DEIR, which includes buildings on Beach Street and the courtyards. See also Response to Comment 10-6 regarding retaining La Bahia's character-defining elements.
- "*Protect Historic Areas/Neighborhoods*" - CR2.2.2 is a LCP policy that applies to compatible development within or adjacent to a historic district, and is not applicable to the proposed La Bahia project, as the site is not within or adjacent to a historic district.
- "*Protect Scale of Landmarks*" - CD2.2 is an LCP policy calling for preservation of important views. As discussed on pages 4.1-10 to 4.1-11 of the DEIR, the proposed project would not result in elimination or obstruction of scenic views. CD2.2.1 is a LCP program that calls for development of design guidelines to protect visually sensitive areas, including Beach Hill. The City's adopted B/SOL Area Plan Design Guidelines meet this program for the project area.
- "*Avoid a Waterfront Wall of Buildings*" - LU3.5.1 is a LCP program that addresses protection of coastal bluffs and beaches from intrusion by non-

recreational structures and incompatible uses along the shoreline, and is not related to building heights as suggested by the commenter.

- "Place Landmarks on National Register" - CR2.1.3 is not a LCP policy or program and directs the City to identify and designate structures or sites that are landmarks or historic structures. As discussed in the DEIR, the La Bahia site has been designated both by the City.

- 8-24 Archaeological Resources. The commenter provides references to former General Plan policies that are LCP policies, which address protection of archaeological resources. The commenter correctly cites Map CR-2, which is part of the LCP, as correctly showing most of Beach Hill as an archaeologically sensitive area, although the La Bahia site is not within this mapped sensitivity area in the LCP. The comment indicates that the proximity of the project to a sensitive archaeological area (Beach Hill) warrants study. An archaeological investigation was conducted for the property in 2001 as discussed on page 30 of the Initial Study in the Appendix A of the DEIR. No potential archaeological resources were identified, but the project will be subject to halting construction should any unknown resources be uncovered during construction in accordance with requirements set forth in the City Municipal Code section 24.12.430. See page 31 of DEIR Appendix A for review of potential paleontological resources. The comment includes a drawing of the former La Bahia, although the source is unknown.

The comment further indicates that the history of Westbrook Spring is well documented as being used as a water source by passing ships and cites the historical analysis prepared in 1984 as part of this documentation. However, this citation, which is the historical review conducted for the La Bahia site in 1984 (Archaeological Consulting and Research Services), indicates that there was no confirmation of existence and use of such a spring during research conducted for the 1984 investigation. The 1984 investigation noted that "while no confirmation of this legend was found during research, it does persist." John Chase notes in his book, *The Sidewalk Companion*, that the Court of the Mariners had a fountain "supposedly supplied by a natural spring." In any case, a natural spring, if it did exist, is a physical feature and not necessarily related to an archaeological resource. The archaeological reconnaissance for the property, which included a literature and records search, did not find evidence of significant historic archaeological resources during the reconnaissance (Archaeological Consulting, 2001). Additionally, as indicated on page 4.6-8 of the DEIR, the geotechnical investigations conducted at the site indicate that groundwater was encountered in most of the soils borings, perched above the bedrock. Thus, there is no documentation to support the commenter's claim that a former natural spring existed on the project site or would be considered an archaeological resource.

- 8-25 Natural Landforms. The comment suggests that the "hillside slopes" on the project site are natural and not artificially constructed and provides citations from the City's 2005 General Plan/LCP. As indicated on page 32 of the Initial Study that is included as Appendix A of the DEIR, the City has indicated that "it appears that the onsite slope, in part, was created due to past grading for the site to create level areas in the upper portion of the site." The comment suggests that the "La Bahia site is a designated bluff

and hillside," but no such designation or mapping exists in the City's LCP or current General Plan. The comment cites a number of policies and programs from the former 2005 General Plan regarding slopes, erosion and protection of natural areas and offers opinions and/or interpretations regarding applicability to the proposed project. Some citations are not current General Plan or LCP policies. Potential erosion impacts resulting from construction of the proposed La Bahia project are discussed on pages 33 and 38-40 of the Initial Study that is included in Appendix A of the DEIR. The comment does not specifically address environmental analyses in the DEIR, and thus no further response is necessary.

- 8-26 Prominence of Beach Hill. Several citations are provided related to maintaining the prominence of Beach Hill. It is correct that cited LCP program 3.5.4 requires maintenance of "the prominence of Beach and Mission hills when development is propped on or near them." The proposed project is not located on or adjacent to Beach Hill. The B/SOL Area Plan identifies the Beach Hill subarea's southern boundary as being defined by Second Street, which is not adjacent to the project site. Nonetheless, the project will not affect the prominence or visibility of Beach Hill. There are limited areas where the La Bahia site is visible within the viewshed of Beach Hill, and in these areas the "prominence" of Beach Hill has not changed. The DEIR text has been clarified; see CHANGES TO DRAFT EIR (3.0) of this Final EIR.
- 8-27 Heritage Trees. The commenter offers opinions regarding former landscaping on the site and area "heritage" landscaping, and cites former environmental studies at the project site followed by several pages of photos. The comment suggests that mitigation is not adequate for a "significant" impact related to removal of heritage trees. As indicated on page 28 in the Initial Study (Appendix A of the DEIR, four heritage trees will be removed and replaced with four 24-inch box trees and nine 36-inch box trees, which exceeds the replanting requirement under City regulations. An arborist report prepared subsequent to the Initial Study identified four onsite heritage trees and four heritage trees in the public right-of-way. However, four heritage palm trees near the Beach Street intersections with Main Street and Westbrook Street will be retained and protected during construction. Thus, the project would result in removal of four heritage trees that would require replanting with one 24-inch size specimen for each removed tree. Existing onsite trees are all ornamental trees, and the heritage trees to be removed include: one pittosporum tree, one jacaranda tree, one Chinese juniper, and one rubber tree. The landscaping plan shows planting of nine 24-inch trees and ten 36-inch trees, which exceeds the City's replacement requirement for removal of a heritage tree. Four of the 36-inch box trees are Saratoga bay laurel trees. The Initial Study text has been corrected to identify the number of proposed trees to be planted as part of the project; see the CHANGES TO DRAFT EIR (3.0) section of this document. Thus, as indicated in the Initial Study, the removal of four heritage trees and proposed tree planting is consistent with the City's local heritage tree regulations and replanting requirements and would not conflict with local tree preservation regulations or result in a significant impact. Thus, the project would not result in a significant impact that would require mitigation. The proposed replanting of 19 trees exceeds the City's requirement which is one 24-inch tree for each of the four heritage trees to be removed.

- 8-28 Onsite Restoration Options. The commenter indicates that the restoring the La Bahia as a "boutique luxury" hotel is the preferred option for existing restoration of a "National Register-quality landmark" and opines that this could provide 80 hotel units. The commenter further states that this restoration with a low-rise expansion could produce 125-150 hotel units with offsite parking. The comment is acknowledged, however it does not suggest new potentially feasible alternatives for the purpose of CEQA analyses as discussed below. In addition to discussion of a required "No Project" alternative, the DEIR evaluates a full restoration alternative and a partial restoration alternative to the proposed project as discussed on pages 5-25 50 5-35 of the DEIR, both of which address full or partial protection of the existing La Bahia complex.

The commenter's first suggestion is to rehabilitate the La Bahia without construction of a new building to create 80 hotel units. The comment also indicates this alternative could create 44 to 50 apartments, but a use other than a visitor-serving use would not be appropriate given the site's size and land use/zoning designation, and therefore, was eliminated from further consideration as discussed on page 5-23 of the DEIR. The commenter's suggests that 80 hotel units could be developed within the existing buildings, which given the existing size would result in room sizes of 350-400 square feet, which would be lower than the proposed room size of 425-575 square feet. The alternative would not result in new meeting/conference space or other hotel amenities within the rehabilitated existing buildings and no new construction would occur. Thus, this suggested alternative would not meet the underlying purpose of the project, the basic project objectives, or City policies and recommendations to develop a quality, full-service hotel at the site (see Objectives 1, 3, 5, 10, and 12 on DEIR pages 5-20 to 5-21); with fewer rooms and no conference facilities, such a proposal would only partially meet Project Objectives related to strengthening the City's fiscal situation and serving as a catalyst for beach improvements (2, 6, and 9). Furthermore, this suggested "option" for restoration includes partial onsite and offsite parking. An alternative that does not provide onsite parking in accordance with City regulations would not be considered feasible as there is no alternate location for project parking. Offsite parking would include public parking spaces, and elimination of public parking spaces would be considered inconsistent with City Local Coastal Plan policies. For these reasons, this suggested alternative is not considered feasible or suitable for further consideration.

The commenter's second suggestion is to restore and expand the La Bahia in a "low-rise" manner, which would yield 125-150 rooms. (The commenter also indicates that this option could yield 70-100 apartments, but as indicated above, residential uses would not be considered appropriate for further consideration as a project alternative.) This suggested option is similar to Alternative 1, which is analyzed in the DEIR. The commenter provides a schematic rendering of what his suggested option might look like, but it is not to scale. As indicated in Response to Comment 2-4, the DEIR did not identify significant impacts related to aesthetics that would warrant discussion of alternative designs.

- 8-29 Restoration with Casa Del Rey Hotel. The commenter states that "total-complex restoration" that includes the (former) Casa Del Rey site is the preferred option for a "total-complex restoration" and opines that this would create 300-rooms in the main structure with 50 to 105 apartments. The comment also indicates that the B/SOL Plan proposed rebuilding the footprint of the Casa del Rey Hotel, "including the hotel's Spanish Arches." Development of the proposed project on an alternate site, specifically the former Casa del Rey Hotel site, was considered and eliminated from further consideration as discussed on page 5-23 of the DEIR. The former Casa del Rey is not designated for visitor-serving accommodations.
- 8-30 Raise Existing Building. The commenter suggests raising the existing buildings with development of parking on a new first floor as a preferred option for "moving landmark a short-distance on same site as permitted for saving a National Register-quality landmark from extensive remodeling." The suggestion to raise the hotel and construct subterranean parking could conceivably be done, but would be difficult to implement. In order to construct the parking, the existing buildings would need to be substantially raised off the ground with substantial bracing and protection. There would be substantial risks to elevating the building due to potential complications with bracing and ensuing safety hazards. Alternately, the existing buildings could be split into components and moved offsite while the construction of the parking component is completed. However, this could result in damage to the buildings and potentially impact the historic features of the existing buildings that would not otherwise be damaged, such as the bell tower. The only nearby offsite location is the Boardwalk parking lot, which interferes with public access to the area. Furthermore, raising the building would result in a fundamental change to the character-defining feature of the existing building's siting along Beach Street. A full preservation alternative already is discussed in the DEIR on pages 5-25 to 5-30, which would not require elevating or dismantling the buildings or changing Beach Street elevations. Thus, this suggestion would result in potential significant impacts to an historical resource to a greater degree than would occur under Alternative 1, which is discussed in the DEIR. Without additional development on the site, this alternative would result in a similar number of rooms as exists, which is about 44 and substantially lower than the proposed project and would not include the other site amenities proposed by the project. Even if additional rooms could be developed, the option would not attain many of the project objectives as discussed in Response to Comment 8-28. Thus, the commenter's suggestion is noted, but does not require further consideration under CEQA.
- 8-31 "Low-rise" Project. The commenter states the previous project for a 118-room hotel fits the scale and massing of the surrounding "historic" neighborhood. As indicated in Response to Comment 8-2, the 2003 approved project on the La Bahia site was considered as an alternative but eliminated from further consideration in the DEIR as explained on pages 5-22 and 5-23 of the DEIR.
- 8-32 High Density Plan with Property East of Westbrook. The commenter discusses an expanded-site option for La Bahia that includes variations of development on adjacent properties, but then indicates that a high-density "superblock" plan is not recommended. The comment is acknowledged. It is noted that the comment's

references to B/SOL "Options 3 & 4" are not in the adopted B/SOL Area Plan. The second option offered by the commenter is to develop the project parking lot on the property located to the east of the site and Westbrook Street, along with a restaurant, lobby and "meeting hall". The third option offered by the commenter also includes the property to the east, but would include more development on the property to the east for a total of 250-300 rooms. The B/SOL Area Plan did include a recommendation for development that includes the referenced property to the east of the La Bahia site, and the DEIR did consider an alternative with an expanded site. However, this potential alternative was eliminated from consideration as explained on 5-22 and 5-23 of the DEIR, primarily because the applicant does not own the property.

- 8-33 Photos. The commenter provides about ten pages of photographs of the La Bahia site and surrounding area that are entitled "La Bahia, Where the Mountains Meet the Bay." The photos are acknowledged, but the comment does not specifically address environmental analyses in the DEIR, and thus no response is necessary.
- 8-34 Casa Del Rey Hotel. The commenter includes what appears to be a former promotional advertisement for the Casa Del Rey Hotel that includes a picture of the La Bahia structures as the Casa Del Rey Apartments, which is acknowledged.
- 8-35 Previously Submitted Reports. The commenter attaches his previously submitted reports entitled "Empire of the Casa Del Rey (1997)" and "La Bahia Handbook" (undated). The first was reviewed and cited in the Historic Resources Report prepared for the EIR (Appendix D in the DEIR). Portions of the second were submitted during the public review period of the Draft EIR on the former proposed project in 2008. Neither report addresses the currently proposed project or the analyses in the DEIR. The reports are acknowledged, but no further response is necessary. Since these previously submitted materials do not address the current proposed project, no attempt has been made to verify the information presented in the reports. It is noted, however, that in the second report, the commenter offers an interpretation of the La Bahia's "character-defining features" as related to his comments provided on the previously proposed project (see page 4-203 of the letter). However, these features are not consistent with the character-defining features identified in the Architectural Resources Group (ARG) study developed as part of the B/SOL Area Plan. The technical report prepared for this EIR includes a full assessment of the property's character-defining features on pages 13-14, and most of these are omitted from commenter's description.
- 8-36 Overriding Considerations. The previously submitted materials addressed in Comment 8-35 includes the commenter's interpretation of CEQA and what is referred to as the "doctrine of overriding economic benefit." Although it appears that the comment was on the previously proposed project, it is noted that the commenter appears to be referring to "Statement of Overriding Considerations." As indicated on page 1-4 of the DEIR, and pages 1-3 to 1-4 of this Final EIR, pursuant to sections 21002, 21002.1 and 21081 of CEQA and sections 15091 and 15093 of the State CEQA Guidelines, no public agency shall approve or carry out a project for which an EIR has been

certified which identifies one or more significant effects unless both of the following occur:

(a) The public agency makes one or more of the following findings with respect to each significant effect:

1. Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effects on the environment.
2. Those changes or alterations are within the responsibility and jurisdiction of another public agency and have been, or can and should be, adopted by such other agency.
3. Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the environmental impact report.

(b) With respect to significant effects which were subject to a finding under paragraph (3) of subdivision (a), the public agency finds that specific overriding economic, legal, social, technological, or other benefits of the project outweigh the significant effects on the environment.

Although these determinations (especially regarding feasibility) are made by the public agency's final decision-making body (here, the City Council) based on the entirety of the agency's administrative record as it exists after completion of a final EIR, the draft EIR must provide information regarding the significant effects of the proposed project and must identify the potentially feasible mitigation measures and alternatives to be considered by that decision-making body.

with the Design Guidelines in the context of all of the guidelines as part of the project review and staff report.

- 10-6 Retain and Restore Historical Structure. The commenter indicates that many people like to stay in historical hotels and suggests that the City require the developer to retain all character-defining features of the La Bahia Apartments as required by zoning and the B/SOL Area Plan EIR. It is correct that the RTC zone specifically indicates that it is the intent of the zoning that preservation of La Bahia be conducted in accordance with the mitigation measures in the EIR for the B/SOL Area Plan. Consistency with zone district provisions is discussed on page 4.7-9 of the DEIR and specifically related to historical resources on pages 4.2-16 and 4.2-17. As indicated in the DEIR, the B/SOL Area Plan EIR indicated that should development on the La Bahia site follow the recommendations in the 1998 ARG report, there would be a less-than-significant impact to historic resources. However, the B/SOL EIR also acknowledged that if La Bahia were demolished, destroyed or altered in a way does not retain these features, a significant impact would occur. The B/SOL Plan thus did not require that the existing structure be retained in any future project on the subject site. The proposed project fulfills the mitigation measures that require review and coordination with a historic preservation consultant, documentation prior to alteration, and consideration of incorporating part of the historic building into project design or salvaging significant building features. Contrary to the commenter's assertion, the mitigation measures do not require the project to retain the character defining features, but indicate that implementation of the measure would lead to a conclusion of a less-than-significant impact related to future development of the site. The mitigation measures thus cannot be read to require retention of the major contributing features. Furthermore, the B/SOL Plan mitigation measure goes on to provide that if a hotel proposal were to require the La Bahia Apartments to be "altered or demolished", incorporation of parts of the building should be considered. In the present case, the proposed project retains some, but not all, of the character-defining elements, and the DEIR concludes that the project impact to historical resource is significant and unavoidable. Consistent with the B/SOL EIR mitigation measures, the DEIR requires document of the structures prior to demolition in accordance with Secretary of the Interior's standards and salvage of materials. The project also includes incorporation of part of the existing building.

The comment also indicates that the EIR mitigation measures to reduce impacts (photos and salvage) is a "joke." Although the City agrees that the creation of images of the existing structure is not equivalent to keeping the structure intact, such information does have value, as it will preserve images of the current structure for the benefit of interested persons and institutions. As indicated on page 4.2-17 of the DEIR, the mitigation measures would not reduce the impact to a less-than-significant level, and the impact remains significant even with implementation of the mitigation measures, which are in accordance with the measures in the B/SOL Plan EIR. There are no measures to mitigate demolition of most of the existing historic structure, but the photo-documentation and salvage measures are standard measures to implement if a historic resource is altered or demolished.