

CALIFORNIA COASTAL COMMISSION

CENTRAL COAST DISTRICT
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F12a

Prepared December 11, 2023 for December 15, 2023 Hearing

To: Commissioners and Interested Persons

From: Kevin Kahn, Central Coast District Manager
Kiana Ford, Coastal Planner

**Subject: Additional hearing materials for F12a
LCP Amendment Number LCP-3-STC-23-0045-2-Part A (Downtown Plan
Update)**

This package includes additional materials related to the above-referenced hearing item as follows:

Additional correspondence received in the time since the staff report was distributed.

RECEIVED

Ford, Kiana@Coastal

DEC 08 2023

From: Becky Steinbruner <ki6tkb@yahoo.com>
Sent: Friday, December 8, 2023 1:08 PM
To: CentralCoast@Coastal
Cc: Becky Steinbruner
Subject: PUBLIC COMMENT RE: LCP-3-STC-23-0045-2-PART A CITY OF SANTA CRUZ LCP AMENDMENT FOR PUBLIC HEARING DECEMBER 15, 2023

CALIFORNIA
COASTAL COMMISSION
CENTRAL COAST AREA

Categories: Forwarded

Dear California Coastal Commission,
I oppose any action that your Commission would take amending the Santa Cruz City LCP to allow taller structures in the Downtown Plan or to allow in-lieu affordable housing fees rather than inclusionary affordable housing within a project.

"Housing for People" successfully gathered over 7,000 qualified signatures from voters in the City of Santa Cruz to demand that the voters be allowed to vote on how tall buildings within the City limits should be and also to increase the percentage of required inclusionary affordable housing to 25% in projects that are 30 or more units.

<https://www.housingforpeople.org/>

The Santa Cruz City Council approved sending this citizen initiative to the March 6, 2024 election ballot.

If your Commission approves the increased height and in-lieu affordable housing fees now for the Cruz Hotel project for which the City prematurely seeks an LCP Amendment for the Downtown Plan, that project would circumnavigate the vote of the people, and cause the Coastal Commission potential legal liability for allowing a controversial project to go forth, knowing a ballot measure is pending.

Please table this Item until after the March 5, 2024 election results are certified.

Thank you.
Sincerely,
Becky Steinbruner

RECEIVED

DEC 08 2023

CALIFORNIA
COASTAL COMMISSION
CENTRAL COAST AREA

Ford, Kiana@Coastal

From: Judi Grunstra <judiriva@hotmail.com>
Sent: Friday, December 8, 2023 3:13 PM
To: CentralCoast@Coastal
Subject: Public Comment on December 2023 Agenda Item Friday 12a - City of Santa Cruz LCP Amendment No. LCP-3-STC-23-0045-2-Part A (Downtown Plan).

Categories: Forwarded

Dear Commissioners:

I am quite active in city of Santa Cruz issues, having lived here for 31 years. I am not used to reviewing documents that come to the Coastal Commission so please forgive me if I am not specific enough.

Please do not certify the amendments as submitted regarding the city's request to allow additional height up to 15' for rooftop amenities on a proposed hotel on Front St. The 2018 Downtown Plan and existing height limits should be adhered to. That plan already "significantly upzoned much of the downtown area." Our coastal community is already experiencing dismay at the intensified state-mandated development. This visitor-serving facility (hotel) will have to adhere to the height limits. City planners must not be allowed to change the Downtown Plan at their wish for specific projects.

Thank yo.

Judith Grunstra, Santa Cruz

Sent from my iPad

RECEIVED

DEC 08 2023

CALIFORNIA
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CENTRAL COAST AREA

Fwd: Public Comment on December 2023 Agenda Item Friday 12a - City of Santa Cruz LCP Amendment No. LCP-3-STC-23-0045-2-Part A (Downtown Plan)

CentralCoast@Coastal <CentralCoast@coastal.ca.gov>

Sat 12/9/2023 9:06 AM

To:Ford, Kiana@Coastal <kiana.ford@coastal.ca.gov>

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DEC 08 2023

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From: Natalie Goff <burroalley9@gmail.com>

Sent: Friday, December 8, 2023 6:59:49 PM

To: CentralCoast@Coastal <CentralCoast@coastal.ca.gov>

Subject: Public Comment on December 2023 Agenda Item Friday 12a - City of Santa Cruz LCP Amendment No. LCP-3-STC-23-0045-2-Part A (Downtown Plan).

December 8, 2023

Dear Coastal Commission members:

I have been a resident of Downtown Santa Cruz for forty years.

I am appalled to hear that the Coastal Commission recommends a “yes” vote for a plan to allow a height variance for a *non-residential* building in downtown Santa Cruz. No building in my neighborhood has been allowed to be constructed taller than our historic Palomar Hotel built in 1928. The Palomar’s height has been the construction height limit in Santa Cruz for almost 100 years.

The citizens of Santa Cruz have successfully placed an initiative on the ballot that will be voted upon March 2024. If our citizenry wins the ballot initiative, we will have a say as to how tall buildings in Santa Cruz may be. Please allow the people who live here to have our say before you rush in to OK this building variance. It is evident to me that the City and the developers are pushing you to OK the additional height of a visitor hotel. Your OK of this variance and project does nothing to enhance our environment, or the quality of the air we breathe. Your OK would NOT reduce traffic congestion in our small downtown area. Increased traffic continues to worsen, even before proposed housing units have begun construction.

Please be aware that there are 1400 housing units proposed or are currently being built in our small downtown area. There are just *three* bridges that cross the San Lorenzo River – the roadways that cross these bridges run east and west. Running perpendicular to the roads that cross the bridges, there are just *three* roads that run through the downtown area north to south. I do not understand how the Coastal Commission deduces that a high-rise hotel in downtown and that provides little, or no parking, can possibly add to the quality of life for people who live here. *You cannot possibly believe that these out-of-town people are going to ride the bus here for the weekend from San Jose or from San Francisco!*

This hotel that you will weigh in on is a non-residential project. Therefore, the developer, the city, and others have devised a plan in which the developer will pay a mere \$5 per square foot into the City’s Affordable Housing Trust Fund. This \$5 per sq. foot “tip” gives him the privilege of building higher into the “airspace” and it allows him to skirt the issue that his hotel DOES NOT provide needed housing for our lower-income community members. Are you willing to go along with this sleazy payoff plan?

What does the OK vote for this variance and for the building itself by the Coastal Commission have to do with cleaner air, a cleaner ocean, a cleaner river that flows to the ocean, cleaner beaches, a healthy environment for wildlife, or less congestion for the people who live in downtown Santa Cruz? How will your support for a tall hotel that blocks the view of the Santa Cruz Mountains, a view we currently enjoy, help our sense of well-being when we walk along the levees of our San Lorenzo River. I can only think of how much downtown residents have lost already in the name of "revitalization". I do not understand what the Coastal Commission stands for anymore.

I will gladly chip in towards a fund that matches the mere \$5 per square foot that this developer hopes to pay so that he can build this tall building...IF he is not given the right to this variance and the right to move forward with this project.

Please do the right thing...support the people who live in downtown Santa Cruz. Your mission is supposed to be that of supporting our environment. Please return to that mission.

Sincerely,

Natalie Goff, Downtown Santa Cruz resident

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F12a

LCP-3-STC-23-0045-2-PART A (DOWNTOWN PLAN UPDATE)

DECEMBER 15, 2023 HEARING

CORRESPONDENCE

SCFS Venture LLC

November 13, 2023

Re: Cruz Hotel Project

Dear Ms. Graeven:

On behalf of the applicant for the Cruz Hotel, I would like to thank you for taking the time to discuss and review the entitlement process for the Cruz Hotel over the past year, as well as for your efforts in connection with the pending LCP amendments to the City of Santa Cruz's Downtown Plan. We believe that it benefits all parties and the public process in general when there is clear and transparent communication between applicants and public agencies, and we are grateful for the valuable insight you provided about the Coastal Commission's process.

Before we address the primary purpose of this letter, which is to provide an overview of the community benefits, public access improvements, and visitor-serving uses that the moderate cost hotel project would provide, we thought it would be helpful to provide some additional context regarding how we approached the planning process and explain our vision for the site and how it fits within the broader objectives the City has established for downtown and the Riverwalk area. Finally, we briefly address some of the policy-related concerns we have previously discussed in anticipation of the pending amendments to the LCP in order to clarify certain drafting discrepancies regarding the Project's eligibility for additional height, as well as to allow for exceptions to the height limit for rooftop features that facilitate active rooftop uses (such as the restrooms, bar area and other amenities proposed for the hotel's rooftop).

We hope that staff will ultimately be supportive of these changes, particularly since the Coastal Act prioritizes visitor-serving uses over residential uses as reflected in the staff report from 2018 that was presented to the Coastal Commission in connection with the Downtown Plan update, and we look forward to discussing these changes further with you as we move towards the Coastal Commission's December meeting.

Existing Conditions and the Downtown Plan's Vision

The existing site is located in Downtown Santa Cruz more than a half-mile away from the ocean and consists of low-rise, nondescript commercial buildings and surface parking lots. The sole means of public access to coastal resources is an unidentified path that leads from the rear of a parking lot up to the existing pedestrian path on the levee. There is minimal landscaping except for a few street trees, nor any amenities for passive or active recreational public uses except for the hardscaped path.

As you are aware, the City has been working for decades to help revitalize and restore the Riverwalk area and reverse the pattern of development that historically has "turned its back" to the San Lorenzo River. Despite planning recommendations going back to the 1980's, it was not until

the update of the Downtown Plan in 2017 that the City was able to advance that vision and catalyze the transformation that is currently occurring. In brief, the success of the Downtown Plan, portions of which of course were approved by the Coastal Commission in 2018, is due to the care the City took to develop a framework for public/private partnerships and appropriate incentives that were tailored to achieving its core objectives – which, for the Front Street / Riverfront Corridor area, are focused on anchoring the downtown area as a place to live, shop and work, enhancing the pedestrian environment and feeling of security along the river, and making significant improvements and enhancements for public access from Front Street – while making sure not to render new development economically infeasible.

The planning process for the Cruz Hotel project started well before the Downtown Plan was updated in 2017, which is why the Downtown Plan specifically identifies a hotel at this location as a principally permitted use. As the first new hotel located in downtown in over 90 years, the Project will further a number of the City’s objectives related to the redevelopment of the downtown area and therefore qualifies for the additional height under the criteria for Additional Height Zone B. The additional height is necessary to allow for a sufficient number of hotel rooms to ensure the project is economically viable given the requirements and objectives of the Downtown Plan, which include, among other things, filling in the levee and fulfilling a variety of criteria related to the provision of public benefits.

More specifically, the Downtown Plan requires that projects asking for additional height provide benefits that focus on the principal objectives of creating “high quality public access between Front Street and the river” and “an appropriate treatment of the riverfront edge along the Riverwalk.” Of course, the Project would also bring new visitors and tourists to Downtown Santa Cruz which is critical for supporting the City’s downtown retailers and restaurants.

Public Access Improvements and Infrastructure

In response to your request for a list of the community benefits being provided in exchange for increased height, here is a partial list which we hope illustrates how the Project honors the letter and intent of the Downtown Plan and the broader public policy objectives of enhancing public access and promoting visitor-serving uses:

- Design, install, and maintain in perpetuity a new 50’ wide paseo (known as “Maple Alley”) on a contiguous parcel owned by the City that will provide public access between Front Street and the Riverwalk. The new paseo will include seating areas and passive recreational spaces, landscaping, ADA access for navigating the grade change between Front Street and the elevated Riverwalk, all of which will be made possible by filling the levee area (owned by the City) at the Project’s expense.
- Activate the Riverwalk edge with an open air lawn adjacent to the Riverwalk area, publicly accessible seating areas where visitors can play chess or backgammon, bike parking, pedestrian and bike paths, and other features to enhance public access along the Riverwalk, in addition to a new plaza / café patio area at the corner of Front and Laurel Streets.

- Create a publicly accessible lobby, which is comprised of an open-air lobby porch overlooking the Broadway-Laurel Street Bridge to the south, an informal work perch above Front Street to the west, and a bar with a terrace to the east, in addition to a restaurant, seating areas within and outside the hotel, a publicly accessible rooftop area with restaurant/bar service and lounge seating, among other accommodations – all of which would be fully open to the public and not just to guests.
- Provide publicly accessible restrooms that are accessible from the Riverwalk.
- Create flexible-sized meeting rooms and ballrooms lining Front Street, which could accommodate special events or business conferences, and potentially be made available to non-profits or local community groups at cost during the off-season.
- Tower viewers for visitors to view the river habitat.
- Bike rentals that are free of charge to the public for the first 90 minutes.
- Free public Wifi access at the Paseo and Riverwalk close to the hotel.
- Provide no fewer than three family suites with bunk beds to accommodate families of four or five without the need to book multiple rooms.
- Provide “community days” throughout the year (up to three per year) for local non-profit organizations to have access to the hotel’s rooftop facilities for community uses, such as fundraisers or use access (e.g., Boys and Girls Club of Santa Cruz County, Nueva Vista Community Resources, and similar organizations).
- Provide a one-time financial contribution to the Santa Cruz Hostel Society, which is a local non-profit organization that manages the Santa Cruz Hostel.
- Provide the Boys and Girls Clubs of Santa Cruz County with a contribution to its capital fund to revitalize the indoor swimming pool at its downtown Santa Cruz club house. The pool serves disadvantaged youth in both the Downtown and Beach Flats neighborhoods in the city.
- Provide an in-lieu fee payment to the City of Santa Cruz of \$5.00 per additional square foot of floor area above the base height limit for affordable housing.

Of course, the Project also meets the other eligibility for increased height (e.g., criteria based on aggregate parcel size and frontage, design performance standards, etc.), but we hope the foregoing list of public benefits demonstrates why we believe the Project meets and exceeds the criteria for additional height, and also goes above and beyond in its provision of amenities. Because a number of these benefits are also not required by the Downtown Plan, we would be receptive to ensuring that these commitments are reflected in the conditions of approval for the Project when it is ultimately reviewed by the City’s Planning Commission and City Council.

Low Cost Visitor Accommodations - Policy Considerations

As we have discussed, we understand that the City intends to process amendments to the LCP in order to clarify certain drafting discrepancies regarding the Project's eligibility for additional height, which will of course need to be approved by the Coastal Commission. The reason certain amendments are required is to clean up drafting errors within the Downtown Plan that suggest the criteria for additional height require upper level residential uses. Because hotels are principally permitted uses on the east side of Front Street within 200 feet from Soquel Avenue and Laurel, and the Downtown Plan in several instances identifies hotel uses at this location as eligible for additional height, we believe that the City and the LCP always intended to allow hotels with additional height at this particular location and that the discrepancies were a function of clerical mistakes made when the Downtown Plan was updated.¹

In the course of discussing the Project with you, you mentioned the Coastal Act's general policy to encourage "low-cost visitor facilities" and the fact that many LCP's (but not Santa Cruz's LCP) have explicit policies that apply to overnight accommodations such as hotels, as well as the fact that the LCP can be interpreted as incorporating by reference the standards in Section 30213 of the Coastal Act which encourages low-cost visitor facilities where feasible. We discussed this topic with Coastal Commission staff more than a year ago and understood that staff did not feel that the Project would be evaluated based on any criteria related to low-cost visitor overnight accommodations because the City's LCP contains no specific policies applicable to overnight accommodations, and due to the unique circumstances related to the Project's location in Downtown Santa Cruz and contributions towards public access along the Riverwalk (which, as indicated above, do provide low-cost visitor facilities). Of course, the Project would also not displace or otherwise result in the net loss of any existing low-cost visitor accommodations since the existing conditions include surface parking lots and a small office building.

We are mindful that there is precedent in other jurisdictions for applying more prescriptive standards regarding lower-cost visitor accommodations which, in some cases, include setting aside rooms at reduced fees or paying in-lieu fees. Our understanding is that those policies (which, again, are not included in the City's LCP) were in many instances developed in a very different context (e.g., projects along the ocean in non-infill locations where providing camping spaces, yurt or cabin accommodations, hostel rooms, RV facilities and similar types of facilities is feasible, or for very high-cost luxury or boutique hotels which are a very different type of hotel than the one proposed in Downtown Santa Cruz).

Our context, by contrast, is an urban infill location in Santa Cruz's Downtown which is struggling to keep local merchants and retailers, and lacks the spaces for leisure and group

¹ Those mistakes can partly be explained by the fact that the City kept the overall format and much of the language from the original Downtown Plan (which dated from 1991 and was updated sporadically through 2016) intact; meaning that when changes were made during the outreach and planning process and up through final approval, those changes needed to be reflected in multiple and different sections of the document. It appears those changes were not picked up in each and every relevant section which is what accounts for the discrepancies that the amendments are intended to reconcile.

meetings/conference spaces that are critical for supporting a vibrant downtown. In an urban environment, setting aside land for camping spaces or other types of low-cost accommodations is of course not feasible.

We have further researched that topic and while there do not appear to be any uniform policies or standards that apply across all jurisdictions, we came across a staff report from 2016 arising out of a public workshop process that suggested a simplified policy framework based on four factors to determine under what circumstances “low cost accommodations” should be exacted. Because the City’s LCP contains no recommended or mandatory policies related to low-cost visitor accommodations, we do not believe there are any such requirements applicable to the Project, but nonetheless wanted to provide some information related to the four factors described in the 2016 staff report we found because we feel it supports the reasons why the requirement does not exist.

As we understand that proposed framework, the basic concept is that no lower cost accommodations should be required or exacted if the Coastal Commission can make a finding that each of the following is satisfied:

- (1) there is adequate local availability of lower cost overnight accommodations,
- (2) there is a lack of local moderate and high cost accommodations,
- (3) the new accommodations would bring needed economic growth to a depressed local economy, and
- (4) providing the lower cost overnight accommodations would make the project infeasible.

With respect to the first and second factors, the City is uniquely situated in that there is an abundant supply of lower cost overnight accommodations. According to Smith Travel Research, 46% of the County’s rooms are rated economy, midscale, and upper midscale. What is lacking, by contrast, are more moderate cost accommodations particularly in the downtown area which, as noted above, has not seen a new hotel in more than 90 years. As documented in 2014 in connection with the La Bahia Project’s entitlements, at that time, the City had an inventory of 2,170 hotel/motel rooms with an average annual room rate of \$131 per night, well below other medium sized cities on the central coast, with more than 40% of the City’s hotel inventory classified as “economy” (the lowest cost allocation) by Smith Travel Research, which is also substantially more than other comparable jurisdictions.² The record also reflects that the City provides a significant amount of free and low-cost visitor-serving facilities and overnight accommodations, such as the Carmelita Cottages, and that the City’s hotel stock is comprised of smaller aging properties (which generally charge more than they should due to the lack of competing supply), few larger hotels, and only one hotel in the Coastal Zone (again, at that time).

² See Exhibit 13, Memorandum from EPS re: Low Cost Visitor Accommodation in Santa Cruz, dated July 18, 2014, available at: <https://documents.coastal.ca.gov/reports/2014/12/Th12a-12-2014.pdf>

Here, the Project is not envisioned as a luxury hotel, but rather a moderately priced hotel that will cater to regional travelers (family and business travelers) at price points that distinguish it from other hotels in the area (e.g., the Dream Inn, La Bahia, and so forth).

We are also focused on the need to provide facilities for families that are not traditionally included in hotels, and plan to include a certain number of larger rooms that could accommodate families of up to five (e.g., with bunk beds) without the need to reserve multiple rooms. Given the Project's compliance with the City's reach code and all-electric building standards (which we are not seeking exceptions from), we also believe it would be possible to accommodate small kitchenettes in a portion of the rooms which would allow for in-room meal preparation to help reduce costs for guests. And of course, we will be creating free and low-cost visitor serving facilities in a variety of other ways as outlined above – all in the service of meeting the Commission's overarching goal of maximizing public access to the Coastal Zone for all.

With respect to the third factor, the Project will help catalyze the downtown economy by supporting local merchants and existing businesses, as well as inducing visitors to travel for leisure and business. The downtown area retailers are struggling and several recent businesses have closed, so we do not believe there is any question that the Project would help catalyze economic development and support the downtown area's retail ecosystem.

Finally, there is the key factor of cost. As described above, the Project has been contemplated for more than five years and designed in accordance with the prescriptive parameters and framework established under the Downtown Plan. Investment decisions were made based on that framework, and the understanding that while the fundamental principles in the Downtown Plan and LCP were stable and could be relied upon in assessing the risks involved with undertaking a multi-year entitlement and development process.

As part of that decision-making, we were of course well aware of the public access enhancements, Maple Alley paseo improvements, and a number of other public benefits that would be required in order to achieve the City's objectives and be consistent with the Downtown Plan, while also creating a new destination with a real sense of "place" at the level of quality the City deserves. All of those improvements are costly to provide, and we have made other decisions with the interest of the community in mind that are also very costly and have already forced us to re-evaluate the economic feasibility of the Project. For example, we are now proposing to install a fully-automated below-grade parking structure with "stackers" to provide up to 214 parking spaces, which was necessitated after we learned that relying on the City's in-lieu fee program would not be viable and in order to avoid overflow parking within the downtown area.

After accounting for high interest rates, inflation, high construction costs, and the significant contributions the Project will make to fill in and improve/maintain access to the Riverwalk area, any further exactions or constraints on hotel operations (such as discounting a substantial number of rooms or requiring an in-lieu fee-payment) would "break" the financial model and render the project infeasible.

Rooftop Features and Amenities

In addition to the clerical refinements discussed above, we also understand the City will be seeking to amend the LCP to allow additional flexibility for active rooftop uses, such as the rooftop amenities proposed by the hotel, by creating a process to review and approve limited exceptions for rooftop features that exceed the height limit. Currently, the LCP allows certain exceptions for uninhabitable mechanical penthouses and uninhabitable architectural features that extend above the otherwise maximum allowable. But there are no exceptions for features that are necessary to activate rooftops for commercial, open space or recreational uses even though the Downtown Plan and LCP contemplate those uses as reflected in the performance criteria for the Front Street/Riverfront Corridor which, among other things, require an integrated rooftop design that provides usable spaces, community gardens, landscaping, and so forth.

Consistent with that vision, we are proposing a rooftop pool and associated amenities as key features for the community and to help ensure the hotel is viable. Those amenities would include multiple pools, bar and restaurant services (which would be publicly accessible), associated back-of-house space, lounge seating, restrooms and changing rooms, as well as screened mechanical penthouse(s) and rooftop access stairs. With respect to the height limit, the hotel building (measured to the top of parapet relative to average grade) would be approximately 66' tall, which is 4' below the maximum height limit of 70'. The proposed mechanical penthouse and stairwells would extend slightly above the maximum height limit of 70', but the back-of-house space, prep kitchen, bar, and additional stairwells would exceed the height limit by several feet. Only the exterior stairwells, which by necessity are located along the perimeter of the rooftop and cannot be set back further, would be visible to pedestrians, and those elements are consistent with the Downtown Plan by virtue of being "architecturally integrated into the building façade." The other improvements would be located within the center of the rooftop and generally not be visible from the street level in the vicinity of the site.

Originally, we had proposed that the City consider treating the minor encroachments above the otherwise maximum allowable height as "variations" that are allowed with final approval by the City Council upon a showing that the variations "better achieve stated [Downtown] Plan and community objectives," but we understand that staff would prefer to clarify the provisions in Downtown Plan to be more explicit about activated rooftop improvements and when they can exceed the height limit.

We appreciate and understand the desire to address the need for heights exceptions more generally in order to encourage activated rooftop spaces in future development proposals. Instead of targeted changes that reflect the exceptions required for the Project, the proposed LCP amendment would clarify that (1) rooftop bars and pools represent additional opportunities for activated rooftop amenities, and (2) rooftop amenities that exceed the height limit may be approved by the City Council with a finding that the proposed amenities better achieve stated Plan and community objectives, which we believe is the case here.

Conclusion

The Project, as proposed, is a critical component of the City's efforts to create the type of long-desired livable and viable downtown neighborhood that the community deserves. The fact that Project is also located in the City's Coastal Zone means that it can serve the dual purpose of furthering the Coastal Act's objectives related to enhancing public access to the coast. Great care and attention has been paid to creating the type of visitor-serving use that will thrive while providing the amenities that are sorely missing in this part of town. In all respects, we believe we have met our obligations and sought ways to improve upon the requirements imposed under the Downtown Plan and the LCP, which reflect our willingness to make a major investment in the Santa Cruz community and its future.

We appreciate the opportunity to provide more information about the Project and look forward to continuing our dialogue as the entitlement process continues.

With appreciation,



Stephen Chan
Manager

SCFS Venture LLC