

COASTAL CONSERVANCY

Staff Recommendation  
September 22, 2022

**SANTA CRUZ HOSTEL RENOVATIONS**

Project No. 22-013-01  
Project Manager: Erin Gravley/Hilary Hill

**RECOMMENDED ACTION:** Authorization to disburse up to \$508,000 to the Santa Cruz Hostel Society to plan and implement renovations to the Santa Cruz Hostel in the City of Santa Cruz, Santa Cruz County.

**LOCATION:** Beach Hill neighborhood, City of Santa Cruz, Santa Cruz County

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*EXHIBITS*

- Exhibit 1: [Project Location Map](#)
- Exhibit 2: [Project Plans](#)
- Exhibit 3: [Photos](#)
- Exhibit 4: [Project Letters](#)

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**RESOLUTION AND FINDINGS**

Staff recommends that the State Coastal Conservancy adopt the following resolution and findings.

Resolution:

The State Coastal Conservancy hereby authorizes a grant of an amount not to exceed five hundred and eight thousand dollars (\$508,000) to the Santa Cruz Hostel Society (“the grantee”) to plan and implement renovations to the Santa Cruz Hostel including conversion of a storage shed to a private cottage, upgrades to restroom and kitchen facilities, accessibility improvements to Hostel grounds, and the creation of an outreach plan to increase use of the Hostel by low- and middle-income visitors from California’s Central Valley.

Prior to preparation of plans and designs for the renovations, the grantee will submit for the review and written approval of the Executive Officer of the Conservancy (Executive Officer) the following:

1. A detailed work program, schedule, and budget for the planning component of the project.

2. Names and qualifications of any contractors to be retained in carrying out the planning component of the project.

Prior to commencement of construction of renovations, the grantee shall submit for the review and written approval of the Executive Officer of the Conservancy (Executive Officer) the following:

1. A detailed work program, schedule, and budget for the construction component of the project.
2. Names and qualifications of any contractors to be retained in carrying out the construction component of the project.
3. A plan for acknowledgement of Conservancy funding and Proposition 68 as the source of that funding.
4. Evidence that all permits and approvals required to implement the project have been obtained.
5. Evidence that the grantee has entered into agreements sufficient to enable the grantee to implement, operate, and maintain the project.
6. Prior to commencing the renovations, the grantee shall enter into and record an agreement pursuant to Public Resources Code 31116(d) sufficient to protect the public interest in the improvements.

Findings:

Based on the accompanying staff recommendation and attached exhibits, the State Coastal Conservancy hereby finds that:

1. The proposed authorization is consistent with Chapter 10 of Division 21 of the Public Resources Code, regarding Lower-Cost Coastal Accommodations.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria.
3. The Santa Cruz Hostel Society is a nonprofit organization organized under section 501(c)(3) of the U.S. Internal Revenue Code.

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## **STAFF RECOMMENDATION**

### **PROJECT SUMMARY:**

Staff recommends the Conservancy authorize a \$508,000 grant to the Santa Cruz Hostel Society to prepare plans and designs for, and implement, renovations to the Santa Cruz Hostel to provide additional lower-cost coastal accommodations and improvements to existing hostel facilities. The project includes conversion of a storage shed to a cottage that can accommodate up to 3 guests in a private room, renovations to existing bathroom and kitchen facilities,

accessibility improvements to exterior walkways and parking lot, and creation of a plan to increase use of the hostel by visitors from California's Central Valley.

The Santa Cruz Hostel (Hostel) is located at the Carmelita Cottages, in the Beach Hill neighborhood in the City of Santa Cruz, an ideal and central location for coastal visitors as it's nearby to popular Santa Cruz Main Beach, Santa Cruz Beach Boardwalk, Santa Cruz Municipal Wharf, and downtown Santa Cruz. The Hostel has six cottages that can accommodate a total of 37 guests (13,505 people per year) in mixed or single sex dormitories or in private rooms. There is a high demand for beds and rooms at the Hostel, especially in the summer months when demand outweighs the number of guests the Hostel can accommodate.

The Santa Cruz Hostel provides a rare cost-effective lodging option in the highly popular beach area of Santa Cruz. Pricing at the Hostel in 2022 ranges from \$35-40 per night for a single dormitory bed to \$90-110 per night for a private room that can accommodate 3-5 guests. These rates are less than 75% of the statewide average rates, less than 75% of rates from surrounding motels in the nearby area, and comparable to other hostels in the region including the Pigeon Point Hostel, Point Montara Hostel, and Point Reyes Hostel. The Santa Cruz Hostel includes communal kitchen facilities which provides another cost-saving measure for guests who can reduce their travel costs by avoiding restaurant charges. Santa Cruz County has been identified by the Conservancy as an area with a high, unmet demand for lower-cost coastal accommodations and the Santa Cruz Hostel is a unique accommodation facility helping to fill this gap.

The Hostel began operation in 1971 and has received some upgrades throughout the years, including with funding from Conservancy grants in 1985 and 1991. However, currently the Hostel is in need of upgrades to worn-down facilities and modifications to meet current-day demands. Kitchen facilities at the Hostel have received substantial use and the kitchen appliances, counter-tops, and flooring need to be replaced to continue providing this resource, which is popular among low- and middle-income guests. At the Hostel there is also increased demand for private restrooms and showers rather than shared facilities. This demand has been even greater during the COVID-19 pandemic. Only one room at the Hostel has a private restroom and it is anticipated some visitors will continue to avoid accommodations without private bathrooms even as the COVID-19 pandemic becomes better-managed. Lastly, the grounds of the Hostel require updates to meet the standards of the Americans with Disabilities Act (ADA), including upgrades to parking and walking paths.

The proposed project will plan and implement renovations to the Hostel to meet these needs which will include:

- Creation of an additional private-room cottage with bathroom by the conversion of an existing storage shed to accommodate an additional 3 guests.
- Renovations to three bathrooms to convert shared bathrooms to private bathrooms.
- Upgrades to worn-down kitchen facilities.
- ADA-improvements to the Hostel walking paths and parking lot.

Creation of a new cottage will directly increase the availability of lower-cost accommodations and increase the maximum occupancy rate at the Hostel by providing an additional private room that can accommodate up to 3 guests. Conversion of shared bathrooms to private bathrooms will allow visitors with concerns about COVID-19 and privacy to utilize the Hostel. Upgrades to worn-down kitchen facilities will allow for continued use by guests who prefer to prepare their own meals to reduce travel costs. ADA-improvements to the Hostel grounds will increase the accessibility of the Hostel to visitors of all physical abilities. Once implemented, this project will create additional and substantially improved lower-cost accommodations for visitors wishing to enjoy coastal Santa Cruz.

As part of the project, the grantee will prepare designs, secure permits and necessary approvals, and finalize construction documents. The grantee will then construct the proposed improvements to complete the necessary renovations to the Hostel.

Additionally, as part of the project the Hostel will create a plan to increase visitors from the Central Valley (Outreach Plan). Despite being within 200 miles of the coast, many Californians in Merced, Fresno, Stanislaus, Kings, and Kern Counties face barriers to accessing and staying overnight on the coast. These populations include youth, Black Indigenous and People of Color, and low-income individuals and families. The Outreach Plan will provide recommendations to address some of these barriers to increase the number of visitors from the Central Valley. These actions may include a targeted informational campaign to increase awareness of the Hostel and its relatively low rates; and/or partnering with schools or groups to create incentives to stay at the Hostel such as with “fieldtrip packages”; and an evaluation component to track effectiveness of the Hostel’s efforts. After completion of the Outreach Plan, the Hostel plans to pilot an outreach effort, with a goal of increasing the number of guests from targeted counties by 25% in one year.

The proposed project meets many of the goals of the Conservancy’s Explore the Coast Overnight program including expanding opportunities for Californians to stay overnight and experience the coast, increasing accessibility, and reaching potential visitors from low- and middle-income communities from the Central Valley.

**Site Description:** The Santa Cruz Hostel is located at the Carmelita Cottages, in the Beach Hill neighborhood in the City of Santa Cruz, less than 0.25 miles from Santa Cruz Main Beach and the Monterey Bay. The property is 18,626 square feet and has six cottages on the property which house visitor accommodations for 37 guests, a communal kitchen, guest common areas, and a lobby. The Hostel is located on a residential street in an area with several other historic homes. The cottages at the Hostel were originally used for summer visitors and were converted to a hostel in the 1970s. The property was designated as a Historic Place on the National Register of Historic Places in 1986. The City of Santa Cruz owns the property and leases it to the Santa Cruz Hostel Society at a rate of \$1/year. The lease was renewed in 2021 and has a 20-year term with an option to extend an additional 5 years.

The hostel can serve a maximum of 37 guests per night through a combination of private rooms, mixed- and single-sex dormitories, and private cottages. In the summertime, the occupancy rate at the Hostel is nearly 100%. Currently, the rates range from \$35 a night for a dormitory bed in the off-season to at the highest \$680-850 per night to reserve a whole cottage

(fourteen guests) at the high-season weekend rate. Bathrooms are currently all shared except for one room with a private bathroom. Communal kitchen facilities are also available to the guests and are shared.

The Santa Cruz Hostel is close to numerous coastal resources and other attractions. Within a few blocks (~0.25 mile) is the Santa Cruz Main Beach, Santa Cruz Boardwalk, Santa Cruz Municipal Wharf, and the Monterey Bay National Marine Sanctuary Exploration Center. The Hostel is also within 1 mile of other popular attractions including Cowell's Beach and Steamer Lane surfing areas, West Cliff Drive, Neary Lagoon Wildlife Refuge, Seabright Beach, Santa Cruz Museum of Natural History, Santa Cruz Harbor, Santa Cruz Public Library, Santa Cruz Civic Auditorium, Kaiser Permanente Sports Arena, and downtown Santa Cruz with restaurants, shops, theaters, and other attractions.

The Hostel is readily accessible by public transit as it is within 0.5 miles of the Santa Cruz Metropolitan Transit District's Transit Center. It is easily accessible as well by bicycles and scooters and has limited on-site parking spaces and seasonal permit street parking. Notably, the hostel offers the lowest-cost non-camping coastal accommodations in Santa Cruz.

**Grant Applicant Qualifications:** The Santa Cruz Hostel Society is a non-profit corporation formed to run the Santa Cruz Hostel at the historic Carmelita Cottages. The Santa Cruz Hostel Society previously successfully managed two grants of \$75,000 and \$300,000 from the Conservancy in 1985 and 1991 to renovate the cottages for hostel use. The grantee has demonstrated its ability to work with subcontractors and permitting agencies in these prior grants and in subsequent renovations of four additional cottages on the property. It has an operating budget of approximately \$165,411 per year. The Santa Cruz Hostel Society is staffed by a board of directors, a full-time resident general manager, and a contracted bookkeeper and Certified Public Accountant (CPA) to oversee finances. They have leased the site from the city of Santa Cruz for over thirty years.

#### **CONSISTENCY WITH CONSERVANCY'S PROJECT SELECTION CRITERIA:**

The proposed project is consistent with the Conservancy's Project Selection Criteria, last updated on September 23, 2021, in the following respects:

##### **Selection Criteria**

##### **1. Extent to which the project helps the Conservancy accomplish the objectives in the Strategic Plan.**

See the "Consistency with Conservancy's Strategic Plan" section below.

##### **2. Project is a good investment of state resources.**

The Santa Cruz Hostel provides important benefits to Californians due to its proximity to the coast and its location in a county with high, unmet demand for lower-cost coastal accommodations. This project will provide access to the coast and overnight lodging affordable to low- and middle-income individuals and families.

The project advances statewide goals as it serves to promote and implement the goals from the Conservancy’s “Explore the Coast Overnight: An Assessment of Lower-Cost Coastal Accommodations” (2019) as follows:

1. Helps improve existing lower-cost coastal accommodations within 1.5 miles of the California coast: The proposed project will add additional lower-cost accommodations to the Hostel and improve existing hostel facilities, which are less than 0.5 miles from the coast.
2. Ensures that new or renovated coastal accommodation projects supported by the Explore the Coast Overnight program will be affordable and available for all Californians, in particular low and middle-income individuals and families: The Hostel offers the lowest-cost non-camping coastal accommodations in Santa Cruz and rates that are less than 75% of the statewide average.
3. Creates and preserves a variety of lower-cost coastal accommodations that will serve the great diversity of California residents and enhance the public’s experience when visiting the coast: The project will create additional beds and preserve existing facilities at the Santa Cruz Hostel, which is a unique type of accommodation and is the only hostel in Santa Cruz County.

**3. Project benefits will be sustainable or resilient over the project lifespan.**

The proposed project site is located 0.5 miles from the coast at an elevation of 57 feet above sea level; therefore, constructed facilities are not expected to be vulnerable to sea level rise in the next twenty years and will continue to deliver project benefits over time. The Hostel has provided lower-cost accommodations for visitors to Santa Cruz for over 50 years and the renovations in the proposed project will allow the Hostel to continue this service.

**4. Project delivers multiple benefits and significant positive impact.**

The project will create a significant positive impact and multiple benefits as it will: (1) create lower-cost accommodations in an area with popular coastal access and high, unmet demand; (2) improve ADA accessibility for people with disabilities; and (3) create a plan for attracting visitors from underserved communities, including low-income families from the Central Valley.

**5. Project planned with meaningful community engagement and broad community support.**

The proposed project will create an Outreach Plan to engage with communities in California’s Central Valley to reduce barriers for visitors who might not otherwise visit the coast due to distance and prohibitive costs for overnight stay.

The project is supported by the City of Santa Cruz and Assemblymember Mark Stone (Exhibit 4).

**PROJECT FINANCING**

<b>Coastal Conservancy</b>	<b>\$508,000</b>
Santa Cruz Hostel Society	\$98,661
<b>Project Total</b>	<b>\$606,661</b>

The anticipated source of Conservancy funding for this project are from two appropriations. The first anticipated source of Conservancy funding is an appropriation to the Conservancy from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018 (Proposition 68, Public Resources Code Sections 80000- 80173). Chapter 9 of Proposition 68 (Section 80120-80121) allocates funds to the Conservancy to enhance and protect coastal and ocean resources, and, in particular, to grant funds to public agencies and nonprofit organizations for lower-cost coastal accommodations (Public Resources Code Section 80120 (b)). Consistent with the purposes of this funding source, the proposed project includes creation of additional accommodations and renovations to restroom and kitchen facilities to improve the Hostel’s lower-cost overnight coastal accommodations. The project will be carried out in accordance with Chapter 10 of Division 21 regarding lower-cost coastal accommodations (see “Consistency with Conservancy’s Enabling Legislation” section below).

The second anticipated source of Conservancy funding is from a Fiscal Year 2022/23 appropriation from the General Fund to the Conservancy for the purpose of climate resilience. This funding source is anticipated to cover the cost of the project’s proposed Outreach Plan (estimated at \$15,000) which will create a plan for outreach to diverse populations to increase awareness within those communities about the opportunities for low-cost overnight accommodations at the renovated Hostel. This is consistent with this funding source as the proposed work is intended to reduce barriers for diverse communities from the Central Valley, who are vulnerable to extreme heat events, to access the coast.

Santa Cruz Hostel Society is contributing \$98,661 to the project, as well as a significant amount of in-kind hours from the Board of Directors in the development, planning, and implementation of the project. Unless specifically identified as “Required Match,” the other sources of funding and in-kind contributions described above are estimates. The Conservancy does not typically require matching funds or in-kind services, nor does it require documentation of expenditures from other funders or of in-kind services. Typical grant conditions require grantees to provide any funds needed to complete a project.

**CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:**

The proposed project is consistent with Chapter 10 of Division 21 of the Public Resources Code, Sections 31411-31414. Pursuant to PRC Section 31412(a), the Conservancy may award grants and undertake projects as part of its Lower Cost Coastal Accommodations Program (Explore the Coast Overnight) to facilitate improvement of existing, lower-cost accommodations within 1.5 miles of the coast. The proposed project will plan and implement renovations to the Santa Cruz Hostel, located less than 0.5 miles from the beach in the City of Santa Cruz which will include adding a new private cottage at the Hostel to sleep 3 additional guests and improvements to bathroom and kitchen facilities for overnight guests.

Consistent with Section 31412(b) Santa Cruz Hostel overnight accommodations are affordable compared to the motels and hotels in the area and are available to low- and middle-income families. The project will create an Outreach Plan to target low- and middle-income families from the Central Valley to increase coastal visitors from this demographic. Consistent with

Section 31412(c)(1), the proposed project was selected through a collaborative effort with the California Department of Parks and Recreation and the California Coastal Commission.

Consistent with Section 31413, the Conservancy's implementation of the Explore the Coast Overnight Program is guided by a lower-cost accommodations assessment: "Explore the Coast Overnight – An Assessment of Lower-Cost Coastal Accommodations" (Assessment) which the Conservancy completed on March 14, 2019. The Assessment identifies Santa Cruz as having a low concentration of lower-cost coastal accommodations in a county with a high demand for coastal accommodations. The proposed project would provide an increase in Santa Cruz's lower-cost coastal accommodations. Additionally, the Assessment recommends that facility managers of low-cost overnight accommodations develop outreach materials and strategies to reach populations identified as less likely to visit the coast as a way to address social and cultural barriers to access. The proposed project will create an Outreach Plan to target low- and middle-income families from the Central Valley.

**CONSISTENCY WITH CONSERVANCY'S [2018-2022 STRATEGIC PLAN](#) GOAL(S) & OBJECTIVE(S):**

Consistent with **Goal 3, Objective E** of the Conservancy's 2018-2022 Strategic Plan, the proposed project will create an additional private cottage at the Santa Cruz Hostel for lower cost overnight accommodations.

Consistent with **Goal 3, Objective F** of the Conservancy's 2018-2022 Strategic Plan, the Santa Cruz Hostel Society will develop an outreach program to reduce barriers to coastal access, in line with the objectives identified in the lower cost overnight accommodations plan.

**CEQA COMPLIANCE:**

The proposed project is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations, Section 15301 regarding the repair, maintenance, and minor alteration of existing facilities when the project involves "negligible or no expansion of existing or former use." The proposed renovation of the existing bathrooms, kitchens, parking lot, and driveway involves no expansion of use. The proposed conversion of an approximately 270 square foot storage shed into a 3-person private cottage is categorically exempt pursuant to Section 15303, which exempts "the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure," as the renovations are primarily to the interior and the exterior would stay relatively the same. The proposed project includes creation of an Outreach Plan as part of the ongoing operation of the Hostel. The Outreach Plan is not considered a project under CEQA.

Upon approval of the project, Conservancy staff will file a Notice of Exemption.