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CONDITIONAL PERMIT ISSUED TO PALACE HOTEL OWNER FOR DEMOLITION

Ukiah, CA. May 23, 2024. – The City of Ukiah’s Chief Building Official has issued a building permit to the owner of the former Palace Hotel for its demolition. The Building Official had ordered the owner to file a permit application by May 14 to either stabilize or demolish the hotel. That order was issued after presenting his finding at a City Council meeting on November 1, 2023, that the building had deteriorated to the point that it poses an imminent hazard to people and property in the surrounding area.

The entire summary of the City’s efforts to compel action related to the Palace since 2011, along with all the public hearings and opportunities for community input, can be found on the City of Ukiah’s website at www.cityofukiah.com/palace-hotel.

In summary, in 2017, after many years of attempting to work with private ownership, the City of Ukiah filed a petition in superior court for the appointment of a Receiver to take control of the property, including borrowing funds to remediate the dangerous conditions. Under that receivership, local hotelier Jitu Ishwar loaned funds to finance the costs of the receivership, including the fees of the structural engineering firm the Receiver hired to prepare plans to seismically retrofit the unreinforced masonry walls of the hotel and make other improvements to prepare the building as a warm shell in preparation for its restoration.

When the owner of the hotel could not repay that loan when it became due, Mr. Ishwar foreclosed and received title to the property. In 2019, Mr. Ishwar formed the limited liability company which now holds title to the property.

After exhaustive efforts monitored by the court, the Receiver was unable to secure financing for the more than \$7 million bid solicited for the redevelopment work. Of major significance was the nearly doubling of the estimate for the seismic retrofit. With no economically viable options remaining, the Receiver filed a motion to be discharged from the project and terminate the receivership. In 2023, pursuant to a court-filed stipulated agreement among the Receiver, Mr. Ishwar, and the City, the court discharged the Receiver and terminated the receivership. As part of the stipulated agreement, Mr. Ishwar agreed to sell the property to a buyer who intended to restore the hotel. However, this agreement terminated when the parties did not close escrow by the required deadline.

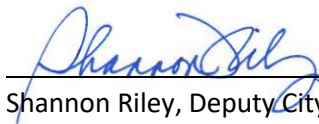
Since Mr. Ishwar recovered possession and control of the hotel property with the termination of the receivership, he has not performed any work to prevent its further deterioration or abate its dangerous

condition. He has reportedly entered into another agreement to sell the property to a buyer who intends to redevelop the property. However, based on the Building Official's findings and his obligation to enforce the California Building Code, he ordered the owner to file application for a building permit by May 14 to abate the health and safety conditions by stabilizing and/or demolishing the structure.

On May 14th, Mr. Ishwar submitted an application to demolish the hotel. Subsequently, the application has been reviewed and conditionally approved, pending further submittals. Once a contractor is secured for the work, a site plan, schedule, encroachment permit, and traffic/street closure plan must be reviewed and approved before work can begin. No further approvals from City Council or others are required. This is a ministerial process on a matter of public health and safety on private property.

City Staff recognizes the ties the community has to this building. Indeed, it is an important piece of Ukiah's history and always will be. However, under two different private owners, it was neglected for several decades and has significantly deteriorated. While the City can and must enforce matters of public health and safety, it cannot force a private property owner to take on a project that is economically infeasible. In other words, while a seismic retrofit may indeed be possible, the cost of that work may be prohibitive and unable to attract investors seeking an economically viable return on their investment. That is likely the reason prior owners and certainly the Receiver failed to preserve and restore the hotel structure.

The next chapters for this prominent downtown site are yet to be seen. Any new development will need to comply with the Downtown Zoning Code, which would prohibit anything that is not consistent with the vision for the Downtown Core. As part of that pre-development process, there will be opportunities for public input. While this outcome may disappoint some, it is also an important first step to getting a vibrant, safe, anchor building in Ukiah's historic downtown.



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