

## Local news

# Capitola to sell property

Capitola - 1990 1-24-90

By DONNA KIMURA  
Sentinel staff writer

CAPITOLA — Officials will begin the grim task of planning to sell precious property to help the city out of its financial straits.

A procedure for selling land will be presented to the City Council on Feb. 8, said City Manager Susan Westman.

The move came at the urging of Capitola's financial consultant Tim Schaefer, who met with the City Council on Tuesday night.

The recommendation is part of his plan to help the city's short-term financial condition.

His proposal also calls for the city to try to refinance its troubled \$10 million bond deal from 1986.

Capitola, he said, is in jeopardy of defaulting because of problems with the deal, including mispending more than \$2 million on projects that were not authorized when the city borrowed the money.

The handling of the deal by city employees and agents is under investigation by the Santa Cruz County District Attorney's Office.

In addition, the city is in threat of defaulting on the deal, which could prevent Capitola from borrowing more money in the future, said Schaefer, senior vice president for Evensen Dodge Inc., of Long Beach.

## Sale of city properties is part of a plan to help the city's short-term financial condition.

Failure to refinance may also force the city to make significant cuts in the general budget in the next few years, he said. The city still owes about \$7.8 million on the debt.

Refinancing the 1986 bonds would allow the city to substitute one debt for another with the opportunity to restructure the deal.

The city could realize a "very small" net savings if it can get bond insurance on a refinancing deal, according to Schaefer.

A bond insurer would let the lenders know that if Capitola can't pay the remaining debt, the insurer will, he said.

"Bond insurance is do-able, but just barely so," he said, pointing out that the city's books have been in disarray and that its recent audits have been "qualified opinions," meaning the auditors found uncertainties in several areas.

Schaefer's plan would solve the city's short-term cash-flow problems and preserve borrowing power for the future.

Refinancing would let the city push back an \$800,000 payment due this summer.

Under the plan, it will, however, increase the payments in the next several years, said city Treasurer Glenn Hanna.

He cited that the earthquake tax which generates about \$300,000 a year ends in March 1997. The city also has other financial commitments.

Selling land will be critical, Hanna said.

In Schaefer's plan, there is a list of eight properties and their appraised value. The land includes everything from City Hall to the vacant property at Clares Street and Wharf Road, which is valued at \$2.45 million. The city misspent bond money to buy this land for \$1.45 million.

The report does not recommend which sites should be sold.

Proceeds from the sale would go to reduce the debt.

If the city sells \$3 million worth of property, it would reduce the annual debt service by roughly \$300,000 a year, according to Hanna.

There's a possibility, he added, that the city would still have to make budget cuts.