

# Capitola wasn't 'denying, delaying,' it tells grand jury

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CAPITOLA — The Capitola Redevelopment Agency was not trying to hide anything when it undertook a lengthy review of its finances, says a draft response to the grand jury.

City officials are responding to a critical grand jury report, released in June, on agency finances.

"It is unfortunate that the grand jury has interpreted cautious and deliberate review of all records in open and public meetings to be an attitude of denial, arrogance and delay, but this was not the intent," the tentative response says.

Redevelopment directors — who also serve as City Council members — are scheduled to discuss

## The city owes the Redevelopment Agency about \$1.5 million.

their answer to the critical grand jury report tonight.

In June, the citizens' panel recommended that Capitola and other local governments should not have their city councils doubling as the boards of directors of their redevelopment agencies.

In Capitola, officials have treated the agency as an extension of the city rather than the independent agency it is, the grand jury reported.

In addition to formalizing a re-

sponse, Redevelopment Agency directors will consider restructuring the board so it is made up of citizens.

"We welcome the public to make comments publicly or in writing or to listen on television if they can't come to the meeting," said Capitola Mayor Margaret Fabrizio.

The draft response says many of the jury's recommendations have been followed, including establishing separate bank accounts and payroll time sheets, and seeking legal advice on whether any crimes

occurred.

The grand jury further recommended that the city consider disbanding the agency.

"Decisions regarding the structure and continuance of the Redevelopment Agency are ones which should be made in the context of a long range financial plan for the city of Capitola and the Capitola Redevelopment Agency," the draft response says.

City officials acknowledged this year that the city owes the agency about \$1.5 million — money that should have been spent on affordable housing and improvement projects, but was instead being used to help run the city.

When a redevelopment agency is formed, all new property taxes in

the redevelopment area flow primarily to the agency. Property taxes for other local governments and schools in the project area are "frozen" at the level they were when the agency was formed.

In Capitola, funds were being transferred from the agency to the city for several years, apparently

to repay a loan. While it is acceptable for the city to advance money to the agency, officials were not able to produce evidence of a loan, said the grand jury. *The Capitola Redevelopment Agency meets during tonight's 7 p.m. City Council meeting at City Hall, 420 Capitola Ave., Capitola.*