

Capitola to have land appraised

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CAPITOLA — The city will have its largest properties appraised for a possible sale or use as security to lower the debt on a troubled bond.

The sites that will be reviewed for their worth are City Hall, Rispin Mansion, Pacific Cove Mobile-home Park, the city equipment yard, Monterey Park, the beach shuttle parking lot on McGregor Drive and two vacant lots on Clares Street.

City leaders have tentatively "zeroed in on" the two undeveloped properties on Clares Street and the beach shuttle lot as ones prime for sale, but strong consideration should be given to the Rispin Mansion and the mobile-home park, said Councilman Mick Routh.

Those two sites, Routh said Thursday, may be the most promising for a sale.

The city has had great plans for developing the Rispin Mansion, but through the years it has "become a financial albatross," Routh said. Purchased for \$1.35 million in 1986, the historic property remains unused.

The City Council agreed only to have appraisals performed on the properties. No decisions have been made on selling city land.

That decision looks to be among the most difficult for the council as it attempts to get Capitola back on solid financial ground. Earlier this year, a city investigation found that Capitola officials had been using city money wrongfully and mispending funds from a 1986 bond. The Santa Cruz County District Attorney's Office is investigating whether city officials broke any laws.

"We have to get appraisals on everything we own of significant value," said Mayor Margaret Fabrizio.

Fabrizio said she has made no decision on putting any property up for sale.

In arranging for the appraisals, the council is following the advice of the city's financial consultant. The appraisals are expected to cost about \$15,000.

Selling its assets appears to be the best option for Capitola to ease its debt on the bond deal, according to adviser Tim Schaefer, vice president of Evensen Dodge Inc. of Costa Mesa.

Being on the list of properties being appraised does not mean a sale is imminent, said City Manager Susan Westman.

While the Pacific Cove Mobile-home Park was added Thursday to the list of sites being reviewed, it does not mean the use is going to change, she said.

There are also no plans to sell City Hall or Monterey Park, Westman said.

They, however, may be used as security for bondholders when looking at restructuring the bond deal.

Capitola was issued a notice of default on the \$10.2 million bond in April. It still owes about \$8.4 million to bondholders.

The proceeds from the sale of the bonds were to refinance two earlier debts, build seven units of low-income housing and spruce up streets near 41st Avenue.

The city, however, misspent \$1.45 million to buy five acres at Clares Street and Wharf Road, spent another \$700,000 to buy property on Monterey Avenue for a park and used \$266,000 to pay other debts. There was no "substitution clause" in the bond agreement that would have allowed the city to spend the money on other projects.

The city also owes its Redevelopment Agency roughly \$1.5 million — money that was used to help run the city when it should have been spent on affordable housing and improvement projects.

Councilman Ron Graves voted against having the eight sites appraised. He said property the city has no intent of selling shouldn't be reviewed.

REFERENCE