

# Affordable housing fraud alleged

Housing - 2000  
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APTOS — Firefighters, teachers and other low-to medium-income residents were left out in the cold by the developers of a tony townhouse complex, who reneged on an agreement to provide affordable homes in the Courtside Townhouse community, county officials allege in a lawsuit.

The civil suit has prompted a criminal probe by the county District Attorney's Office. Courtside developer William "Jack" Metzger and Ken Doolittle, a real estate broker and investor, are being investigated for alleged unlawful business practices in connection with the development.

## Homes for lower-income buyers were sold at market rate, county officials say in civil suit

"We are looking into the entire transaction from the time the transaction began ... to now, when the affordable units have vanished," Assistant District Attorney Morgan Taylor said.

Local authorities say the case may also involve violations of state and federal law and have referred the matter to the state attorney general and California Department of Real Estate, said Assistant County Counsel Marie Costa.

Doolittle, however, insists the county dropped the ball and could have prevented the convoluted legal

dispute.

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The well-manicured "tennis community" is across Soquel Drive from the Rancho del Mar shopping center, nestled against the Forest of Nisene Marks State Park.

The 29-unit complex was completed in 1997. It was approved almost 20 years earlier, however, on the condition four of the townhomes be sold or rented to low- or medium-income residents as required by Measure J, the county's affordable housing ordinance adopted in 1980, according to court documents.

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## Lawsuit: Officials allege fraud in affordable housing development

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ments.

But when interested renters or buyers asked about the affordable units, they were turned away, Costa said.

"They have been summarily dismissed by Mr. Metzger and Mr. Doolittle and told the units are not available," Costa said. "These homes were aimed at teachers, firefighters, nurses and policemen — the old middle class."

The target demographic was a family of four earning, on average, \$70,000 a year. Costa said the development would not have been approved without the affordable component.

Metzger himself has lived in one of the so-called affordable townhomes since 1998. Doolittle said the remaining three units, which are two and three bedroom, are occupied by renters paying \$2,250 to \$2,500 per month.

If the homes had been rented under the county's affordable-housing guidelines, tenants would pay between \$833 and \$926 per month. The sales price would range from \$160,000 to \$180,000.

In May 1999, Michele and George Newby paid \$419,000 for one of the townhomes. They currently rent the home, but plan to move into it themselves when they retire.

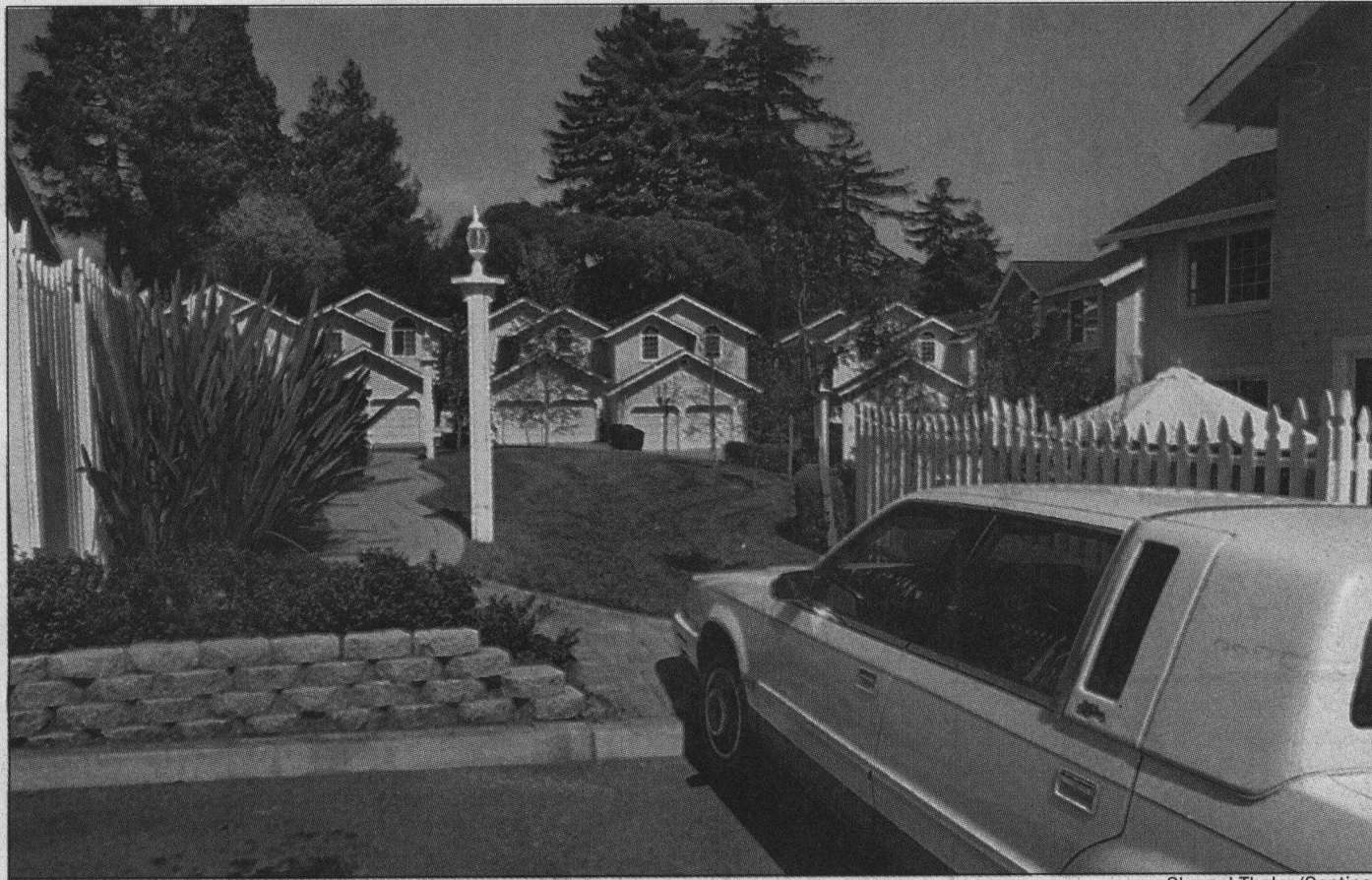
A year ago, the Newbys tried to buy one of the low-priced homes for their son, who had just graduated from college.

Michele Newby said an agent from Monterey Bay Investments showed them the townhouse, but denied it was one of the affordable units.

"I said I thought it was a Measure J unit, and he said, 'No, it has been released and we will sell it at full-market value,'" Newby said. "I personally think it is despicable. You say one thing to get a permit to build and then renege. That isn't right. It doesn't hurt me personally, but I know people who work in service positions, and we need affordable housing."

Twenty-five of the two-story townhomes have been sold on the open market. In 1997, the 1,550- to 2,000-square-foot homes were selling for \$285,000 to \$345,000. Two of the homes are currently on the market for \$598,000.

Metzger was unavailable to comment. Doolittle, 41, of Aptos, said in 1992 he arranged a series of loans for the development through his company, Monterey Bay Securities. The financing was provided by about 30 clients, he said. The bulk of the loans were paid, but there was a remaining balance when construction was completed,



Shmuel Thaler/Sentinel

The Courtside development was built across from the Rancho del Mar shopping center in Aptos.

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MICHELE NEWBY, PROSPECTIVE BUYER

he said.

In November, Doolittle foreclosed on the four affordable units, and in January, he sued the county, claiming the foreclosure voided the affordable housing agreement and he was entitled to sell the townhomes at market rate.

"This is not a conspiracy, but a simple foreclosure to protect the rights of the lenders," Doolittle said. "There has been no fraud, there is no malice, and there are no tricks."

Doolittle said the county's lawsuit against him is motivated by their failure to stop the foreclosure.

"Anyone who wanted to buy the property at the foreclosure sale had the chance to

do so, and nobody showed up," Doolittle said. "The county is unwilling to admit they were either asleep or incompetent. They had the opportunity to participate in the foreclosure process, but either chose not to or neglected to do so."

Costa, the county lawyer, said the county was not notified of the foreclosure and that it is invalid. She further claims the loans to build the development were ill-gotten.

"They have over-encumbered the units with loans that far exceed the value of the units under the affordable housing program," Costa said.

County Supervisor Ellen Pirie, who represents the district where the development

was constructed, said she is keeping tabs on the case.

"We have so little affordable housing in Santa Cruz County ... that I think it is crucial that the county follow through and make sure developers who have made commitments to build affordable housing meet their commitments," Pirie said.

Pirie also has been meeting with members of the Courtyard Townhouse Homeowners Association, who have filed a lawsuit against Metzger alleging engineering deficiencies.

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