

HUD prods Capitola on housing

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CAPITOLA — The city should either make a firm commitment to building low-income housing or return \$226,900 to the federal government, the Department of Housing and Urban Development has recommended.

The opinion follows a HUD audit into Capitola's sale of a half-acre property on 38th Avenue intended for affordable housing. The agency conducted the probe this summer to see if the city followed the requirements of the Community Development Block Grant Program.

HUD and city officials are scheduled to meet next week on the matter.

The controversy goes back to 1981 when Capitola received a \$150,000 grant to buy the 38th Avenue site. The city, however, was unable to annex the parcel — which is outside city limits — and could not reach an agreement with the Santa Cruz County Housing Authority to build the apartments.

The city then planned to build the project itself.

But in 1988, Capitola sold the parcel at the recommendation of then-City Manager Steve Burrell. The

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proceeds went into the general fund.

Several months later, the city bought a five-acre parcel at Clares Street and Wharf Road. The \$1.45 million lot was paid for with proceeds from a 1986 bond issue, which officials now admit was an improper use of the money.

The money from the 38th Avenue sale remained in the general fund, according to the HUD audit.

Although housing was part of the plans for the site on Clares Street and Wharf Road, the property remains undeveloped.

"We recommend that you require the city of Capitola to provide a firm commitment and a timetable that is acceptable to you for meeting a national

objective," the auditors told HUD officials. "If the city is unwilling or unable to meet a national objective in a reasonable time, HUD should recover the program income of \$226,900, plus appreciation."

Capitola leaders have said they are committed to developing low-income housing in the city. In recent months, the City Council has taken steps toward building units at Clares Street and Wharf Road, including applying for a \$1 million grant.

The recommendation of Gary Albright, HUD district inspector general, was recently forwarded to the agency's Office of Community Planning and Development in San Francisco. Albright asked the office to furnish a status report on the recommendations by the end of October.

The city will keep HUD leaders up to date on the Clares Street and Wharf Road project, said Planning Director Kathy Barbaro.

The city will meet a "national objective" if low-income housing is built on the Wharf Road site, said the audit.

In August, Capitola leaders proposed having occupancy of housing units in early 1998.