

Sat, Aug 26, 1995

Capitola's mayor wants to meet with critical grand jury

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CAPITOLA — Mayor Margaret Fabrizio wants to meet with grand jury members who issued a stinging report of the Capitola Redevelopment Agency in June.

The citizens' panel began its findings by saying "the attitude of the agency has been one of denial, arrogance, and delay."

City Treasurer Glenn Hanna suggested that council members, who also sit as the agency's board of directors, try to find out what the grand jury meant by that statement.

He said he provided testimony and two boxes of documents to the panel during its investigation into the agency's finances.

At Thursday's council meeting, he said he didn't think the statements were directed at him.

City Manager Susan Westman said she was interviewed once at City Hall. Along with an official from the Santa Cruz Redevelopment Agency, she met with grand

jury members a second time, she said.

Westman said she and city staff were "extremely cooperative" in providing all the materials requested.

All five council members said they were not interviewed by the jury. A response to the jury will express disappointment at not having been contacted.

Fabrizio said city officials were thinking about an informal meeting with the grand jury prior to Thursday's meeting.

In the June report, jurors recommended Capitola:

- Eliminate the practice of having the City Council sit as officers of the Redevelopment Agency.
- Eliminate the practice of having the city manager and city attorney serve as redevelopment officers.
- Seek legal restitution from all officials, employees and contractors bearing any responsibility for

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financial improprieties.

- Consider selling all assets to the city and disbanding the agency.

The report came after Capitola officials acknowledged that the city owes the Redevelopment 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 an agency is formed, all new property taxes in the redevelopment area flow primarily to the agency. Property taxes for other local government 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 Redevelopment 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 report.

Hanna urged council members to speed up the process in following the recommendations. He further said City Attorney Richard Manning has a conflict in the matter because he serves as legal counsel for both the city and the agency.

Capitola was poorly served by auditors, bond counsel and bond trustee, said Hanna. He agreed the agency should seek civil restitution.

"Get a real aggressive lawyer," he urged.

Capitola officials have asked Santa Cruz County District Attorney Art Danner to determine whether any criminal action should be taken and to advise on possible civil action. The matter is still under investigation, Danner said Friday.

In a draft response to the grand jury, council members say no bad will was ever intended.