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DIOCESE IN TURMOIL

Bishop says he doesn't know value of assets

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Bishop Robert Brom and other officials of the Roman Catholic Diocese of San Diego admitted yesterday that they understated the value of church property by many millions of dollars in its bankruptcy filings.

But Brom, making a rare appearance in the four-year-old legal battle over allegations of child sexual abuse by clergy, bristled at plaintiffs' attorneys who implied he and other diocese officials were not being truthful.

"I don't know who knows what the net worth of the diocese is, but I don't know," Brom said under questioning.

The combative bankruptcy hearing on the diocese's finances was punctuated with several tense exchanges, including when a woman claiming to have been raped by priests confronted Brom.

U.S. Trustee Steven Katzman led the hearing and started the proceedings off by questioning Brom and other church officials about diocese finances, noting that much of the property is listed at tax-assessed values. That can be far lower than true market value – which the bankruptcy court requires.

Later, attorneys for the more than 150 people suing the diocese in the sexual-abuse scandal took over.

Before an audience of about 60 of the plaintiffs, church officials admitted the approximately \$97 million they list as the sum of diocesan real-estate holdings is "not accurate."

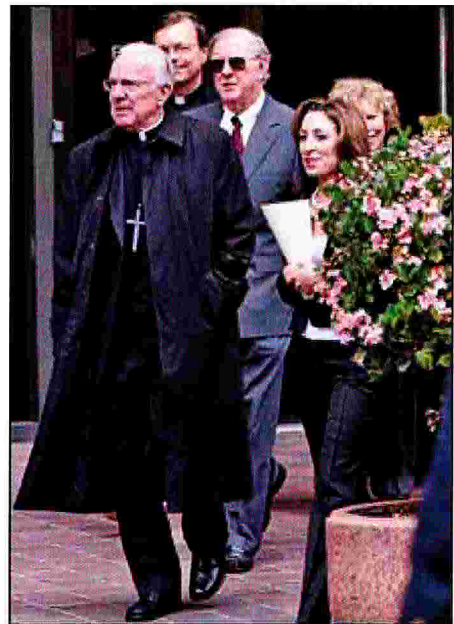
Brom acknowledged that he and other officials had failed to provide the court with appraisals of diocesan real estate.

"I am well aware of the concern you have; we share that concern," Brom told Katzman. "We are willing to do our best to get you market values."

Among the voluminous bankruptcy reports asked of the debtor, in this case the diocese, is current market value for its real estate. But after twice amending its real estate report since filing for Chapter 11 protection Feb. 27, Katzman noted, the diocese failed to list the market value of 32 of its 34 properties.

"Have any of these other 32 properties been appraised?" Katzman asked.

"I'm not aware of that," Brom said. That answer was repeated by Richard Mirando, director of the diocese's finance office.



JOHN GIBBINS / Union-Tribune
San Diego Bishop Robert Brom (left) arrived at federal court yesterday for what would be a six-hour hearing.

Among properties Katzman cited were lots the diocese owns on Third Avenue in downtown San Diego, leased to ACE Parking, with a tax-assessed value of \$360,609.

“That property was acquired in 1946. Is it fair to say,” Katzman asked, “that market value for properties such as that is now substantially higher than assessed value?”

Mirando said it was.

Katzman also asked whether the diocese initially reported a pending sale for \$65 million of 14 acres in Linda Vista, the site of the now-closed University of San Diego High School, to William Lyon Homes, which plans to build 533 condos there.

“That was an oversight,” said Susan Boswell, the diocese's lead bankruptcy attorney. “The answer is no.”

The diocese will share profits on the condo development, Mirando said. But he could not tell Katzman how much money the diocese figured it would eventually make on the deal.

Under questioning from Katzman, the bishop said the diocese filed for Chapter 11 reorganization “because we failed to reach a settlement after a lengthy attempt, and a serious attempt to do so.”

Brom said filing for bankruptcy protection would be the best way to balance a “fair and equitable response to all of the victims while not crippling the ability of the church to continue its mission.”

The hearing, which lasted more than six hours with no lunch break, got heated after Katzman turned the questioning over to attorneys representing alleged victims of childhood sexual abuse.

In a contentious tone, attorney John Manly said the diocese lists the value of Holy Cross Cemetery in southeastern San Diego at \$11.3 million. He then asked if Brom or other diocese officials knew that in a 2005 civil case, the cemetery's manager valued the property at \$40 million.

“I did not know that,” Brom said.

Plaintiffs' attorney Irwin Zalkin pointed out that the diocese valued the property for Marian High School in the South Bay, which is soon closing, at \$2.8 million. He asked Brom if he knew that Shea Homes had offered \$31.5 million for the property in 2006.

“I do not know the exact amount,” Brom said. “From my recollection, it was somewhere around 20-plus million.”

Zalkin said he was shocked by such answers. “Either they are the Keystone Kops, or they are not being truthful,” he said.

In a series of questions, plaintiffs' attorney Terry Giles asked about the analysis that diocese officials did to determine how much they could afford to offer during settlement negotiations.

“How could you have done all that financial planning without knowing the true and real value of your assets?” Giles said.

Brom replied: “I have no answer.”

The bishop insisted that he would tell the value if he knew it. Giles, however, was not convinced. “That is ridiculous on its face,” the attorney said at one point.

Even before that exchange, which came toward the end of the day, Brom grew agitated at repeated questions about whether he understood that he signed the newest financial statements under penalty of perjury.

The bishop said he did not like the insinuation that he was not being truthful.

“I want to say it clearly that they are true and correct to the best of my information and belief,” Brom said, reciting the last line of the legal declaration that comes just before his signature.

Susan Boswell, the diocese's lead bankruptcy attorney, interrupted her opponents several times, characterizing their questions as argumentative and complaining they went beyond the hearing's purpose – to glean information about the diocese's finances.

“The lawyers were giving speeches, they were not asking questions, in my view,” Boswell said afterward.

She also criticized attorneys for asking about documents that the diocese didn't have at the hearing, such as the bonds that were sold several years ago to finance the \$80 million Cathedral Catholic High School in Carmel Valley.

“I wouldn't expect a CEO of a commercial enterprise to be able to sit in a meeting like that without those documents in front of them,” she said.

Boswell said Brom is “very sincere” in his desire to compensate victims and still continue the mission of the church. “This diocese will pay dearly for what happened 20 or 30 years ago,” she said. The diocese has offered \$95 million to settle the sexual-abuse claims.

A woman claiming to have been raped by priests at Nazareth House, a now-defunct Mission Valley orphanage, was the first of more than a half-dozen alleged victims who spoke at yesterday's hearing.

Introducing herself as “one of your casualties,” the woman tearfully told of how she had accepted the diocese's offer to pay for her counseling.

Her nightmares, suicidal thoughts and panic disorder had lessened after 47 therapy sessions, she said. Then a letter from the Rev. Steven Callahan arrived notifying her of a policy to cease payments for therapy at 52 weeks. A plea from her therapist that the diocese reconsider was denied.

“I lived my rape 24 hours a day, 365 days a year,” she said, weeping in the suddenly silent hearing room as Brom listened intently. “You released the names (of abusive priests) and not one of my perpetrators was on it.”

Brom said he would personally look into her situation. Callahan, seated near the bishop, said that in his letter, “I used the word policy, but I did not mean to convey that it was a policy.”

Several of the alleged victims said they were not happy with what they heard during yesterday's hearing. “They're obviously hiding assets to avoid a settlement,” said one 46-year-old man who said he was abused by a priest, who has since died.

“It just shows that they're not practicing what they preach right now.”

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