

A-4 — Wednesday, July 24, 1991 — Santa Cruz Sentinel

# Porter-Sesnon

## scrap in court

### Ryland Kelley battles bank foreclosure

By DONNA KIMURA  
Sentinel staff writer

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SAN JOSE — Controversial developer Ryland Kelley was in U.S. Bankruptcy Court on Tuesday to keep his Porter-Sesnon land out of the hands of a bank poised to foreclose on the property.

After hearing six hours of testimony about the property and Kelley's finances, Judge James R. Grube said he would review the evidence and decide sometime in the future whether Kelley would lose the property.

Kelley told the court he planned to build a 130-room hotel and convention center on one of Santa Cruz County's last large pieces of pristine oceanfront property.

"It's a good business proposition," he said. "It's been welcomed by investors."

Kelley's enthusiasm for the project, however, is not shared by First Nationwide Bank representatives ready to foreclose on the 72-acre site. They say he owes \$3.9 million on two loans on the property.

"There's no equity for the debtor," bank attorney George Duff told the judge. "There's no feasible plan."

Kelley and his brother William, partners in Conference Associates, filed for bankruptcy last year to postpone the public auction of the property. The firm holds a 99-year lease on the land from the University of California.

By law, after filing for bankruptcy, the partnership received an automatic "stay" to work out its bank debts. During that time, creditors cannot collect the money

owed to them.

Bank officials were in court Tuesday to have the stay lifted so they could foreclose on the much-valued property.

Kelley told the judge he is seriously negotiating with several investors to develop a hotel-conference facility. About 85 percent of the property will remain in open space.

Preliminary plans have been submitted to the county Planning Department, he said.

"We've designed it to conform exactly to coastal plans," Kelley said during a break in the proceedings. "We're not asking for a variance or anything."

Land appraiser John Gordon, who was called to testify by Kelley's attorney, estimated the current market value of the property at \$5.2 million.

"The highest, best use is to develop a hotel-conference center as proposed," he said.

The bank's appraiser, Chris Carneghi, however, said he didn't see a convention center as a viable project. He valued the property at \$3.45 million.

Carneghi testified that he believed the land would eventually be purchased by the state for a park.

The property value is an issue because if the property is worth more than what Kelley owes on it, the court will have to decide if this equity is enough to preclude foreclosure.

During the hearing, Duff argued that Kelley's plans are unrealistic and will take at least two years to be approved by local agencies. Any



**Ryland Kelley**  
Negotiating with investors

new project also will face public opposition, as did prior plans for the site, he said.

In 1988, voters rejected plans for Kelley's Wingspread project, a proposed condominium and performing arts complex on the property.

Not long after Wingspread was voted down, Kelley's financial and legal problems began. Some three dozen lawsuits have been filed against Kelley's company, Hare, Brewer & Kelley, many involving the company's Prime-Plus Mortgage Fund.

Vicki Powell-Murray of Friends of Porter-Sesnon — a group which would like to see the oceanfront land become a state park — sat through Tuesday's hearing.

She said Kelley's plans are "pie in the sky."

"I think it becoming a park is much more realistic than it being developed," she said.

Kelley's attorney, Craig Welch, however, said the Palo Alto-based developer is only asking for a few months to continue negotiating with investors.

"This is the piece of property," he said. "This is the one in Santa Cruz County."