

Patton would like a closer look at Wingspread backer's finances

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SANTA CRUZ — County Board of Supervisors Chairman Gary Patton has asked his board colleagues to order an investigation into financial arrangements made by Wingspread developer Ryland Kelley in connection with Kelley's lease on the Porter-Sesnon property in Aptos.

In a letter to supervisors late last week, Patton said the probe is needed before the county commits itself to financial participation in Kelley's ambitious plan to construct a condominium/conference center-performing arts complex on the 66-acre parcel, which the developer leased from the University of California in 1978 for \$1.75 million.

The Wingspread project was approved, "in concept," by the board in March. In April, supervisors authorized County Administrative Officer George Newell to negotiate a deal with Kelley, under which the county would purchase Kelley's 99-year Porter-Sesnon lease and then lease the property back to the developer, who would construct and operate the Wingspread complex there under a concession agreement with the county.

Both actions came on 3-2 votes, with Patton and Fifth District Supervisor Joe Cucchiara in the minority.

Reacting to recent reports that Kelley had taken out \$3 million in loans secured against his Porter-Sesnon lease, Patton wrote fellow board members that he believed "it would be prudent for our county (to) fully ... investigate any existing mortgages affecting the Porter-Sesnon property.

"The disposition of the monies raised by mortgaging the property is not obvious," Patton said. "If the developer has used these funds for purposes not related to the proposed Wingspread project, any financial contribution by way of purchase of the Wingspread project would presumably be used to pay off the developer's non-project debts.

"Whether it is really to the advantage of the taxpayers of Santa Cruz County to pay outstanding bills for the developer of the proposed Wingspread project is a question of some significance," Patton wrote.

He asked the board to direct County Administrative Officer George Newell to "investigate all mortgages, liens, or other financing arrangements now in existence, or proposed, which would have any encumbrance of the Porter-Sesnon property, and provide the board with a report and recommendation on future county financial participation in the proposed Wingspread project, in

light of such existing or proposed encumbrances."

Patton wrote to supervisors in response to a request from Vickie Powell-Murray, chairwoman of Friends of Porter-Sesnon, a citizens group which opposes the Wingspread project.

Powell-Murray told Patton that the public "has a right to know" what effect the \$3 million mortgage on Kelley's lease might have on the county's "financial or legal liability," should the proposed purchase/lease-back deal with the developer go forward.

"Will county taxpayers become responsible for the developer's debts?" she asked.

Powell-Murray's group, which is trying to put an initiative on the November ballot to block the purchase/lease-back proposal, has questioned the Wingspread project's finances in the past. Earlier this year, Friends of Porter-Sesnon hired two consultants to evaluate the Wingspread project. The pair subsequently appeared before supervisors to present testimony which cast doubt on the development's financial soundness.

Last month, attorneys for Friends of Porter-Sesnon filed a request with the County Recorder's Office, asking that they be notified if Kelley should

default on payments on his \$3 million Porter-Sesnon loans.

News of the group's request spawned a press report which suggested that Kelley might be in financial difficulty.

So far, however, there has been no indication that Kelley has failed to make his Porter-Sesnon mortgage payments on time.

Kelley said last month that he had not missed any payments. He said he had taken out the mortgage to finance preliminary work on the Wingspread project, prior to actual development of the Porter-Sesnon parcel.

The developer said that the fact that he had borrowed money against his lease did not mean that the Wingspread project was in financial trouble.

While Kelley paid \$1.75 million for the Porter-Sesnon lease, the state stands ready to buy it from him for \$4 million — with state Park Bond funds earmarked for that purpose in late 1982. State Sen. Henry Mello, D-Watsonville, was instrumental in getting state funds set aside for the purchase.

Kelley has two loans against the Porter-Sesnon lease. The first, for an undisclosed amount, was taken out in April, 1981. The second, for \$600,000, was taken out in February, 1982.

REFERENCE

