

New investor for Porter Sesnon

By LANE WALLACE
STAFF WRITER

An investor will put \$1.3 million into the bankrupt plan to build a conference center on the Porter Sesnon property in Aptos, an attorney for the developer told a bankruptcy judge yesterday.

Conference Associates, the firm headed by Ryland Kelley, will present a debt-reorganization plan by tomorrow, attorney Leslie Orr told Judge James Grube at the federal Bankruptcy Court in San Jose.

Kelley's reorganization proposal will stave off any action against the property until at least Feb. 20, the date the judge set for another hearing.

The Porter Sesnon issue is just one of a myriad of lawsuits Kelley and his various corporate entities are facing in Santa Cruz and Santa Clara counties.

The Porter Sesnon property, across the freeway from Cabrillo College, has been the source of a long-running dispute and financial problems for Kelley, the Mountain View developer whose firm built Pajaro Dunes in the 1960s.

Kelley has been repeatedly rebuffed by county officials in various proposals to develop the 66-acre site, which overlooks the ocean. He acquired the land from the state in 1979 on a 99-year lease.

As the costs built up on the development proposals, Kelley's debt on the property grew, reaching the current level of more than \$13 million.

First Nationwide Bank, which is

first in line among creditors on the Porter Sesnon land, foreclosed in June 1990 after Kelley defaulted on \$2.4 million in loans. Kelley's bankruptcy filing in late 1990 staved off the foreclosure.

Outside court, Orr wouldn't identify the investor. Bill Kelley,

Ryland's brother and partner in some investments, declined comment. Ryland Kelley did not attend.

Had Orr not promised the new debt reorganization plan, the judge

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could have dismissed the case, making Kelley vulnerable to lawsuits from creditors. He could also change the bankruptcy from a Chapter 11 (reorganization) to Chapter 7 (liquidation) and turn the property back to the bank.

If the bank gets the property back, a local group called Friends of Porter Sesnon is ready to step in and help the state reacquire the land, said group member Vickie Powell-Murray.

Powell-Murray, who attended yesterday's hearing, said the promise of a new investment "is another pipe dream" of Ryland Kelley's.

"Why would somebody loan him the money when there is already \$13 million in debt on it?" she said. "The bank won't loan him the money."

Kelley's first proposed a 468-unit hotel and performing-arts center on the Porter Sesnon land and called the project Wingspread. He scaled that back as the county and the public objected; in 1988 county voters recommended against development in an advisory vote.

Kelley came back in 1990 with a proposal for 130 hotel units on the

land, called Meadowpark.

Last month, on the day he was supposed to come up with \$50,000 for an environmental impact review for the project, Kelley withdrew the Meadowpark application and asked that part of the application be considered as a new proposal calling for fewer units.

County Planning Department officials rejected Kelley's strategy, saying he would have to submit a new application. Before he can do that, he will have to pay the county \$12,700 for its time spent on the last application.

REFERENCE

WATSONVILLE
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