

Porter Sesnon may go on public auction block

By LANE WALLACE
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The Porter Sesnon property in Aptos will be sold at a public auction Dec. 4 unless Palo Alto developers Ryland and William Kelley can reach an agreement with the lien-holders on the property.

First Nationwide Bank, to which the Kelleys' firm, Conference Associates, owes \$411,000, has foreclosed on the property.

The Kelleys have been in a long-running effort to develop the 72-acre beach-front property, across the freeway from Cabrillo College, since they acquired a 99-year lease on it from the University of California in 1978.

Ryland Kelley said this morning, "We are completing some of the refinancing. We will be curing the

default so that it will not go to sale."

Dan Brigham, of the bank's public relations department, said the sale would not be held if the Kelleys pay off the debt or work out an agreement with the bank.

The bank's action, Kelley said, is unusual and is dictated by the pressure for more regulation in the banking industry.

"There's a lot of pressure on any non-performing (delinquent) loans," Kelley said.

A bank would normally work with the lender to restructure the loan, he said.

The Kelleys first proposed a 468-unit project, which included a performing-arts complex, on the land, which overlooks the beach. As the

See KELLEY page 2 ►

KELLEY

► From Page 1

county rejected various plans, the Kelleys scaled back their proposal and are now seeking a 130-unit project, which the county has yet to act on. The first project was called Wingspread; the new project is named Meadowpark.

Kelley has a \$2.4 million loan on the property and a \$600,000 second mortgage. The \$411,000 figure is what Kelley owed in May.

The foreclosure is only one of the problems facing the Kelleys, partners in Conference Associates and the Palo Alto-based real estate development company of Hare, Brewer and Kelley.

The Kelleys are being sued by 23 investors who say they lost \$2.5 million in a mortgage company called Prime Plus Mortgage Fund, in which the Kelleys were principals.

The suit, which was scheduled to go to trial today in Santa Clara County, asks \$3 million for each investor.

When the suit was filed in March, Allen Ruby, attorney for Prime Plus, said the Kelleys had insufficient collateral when they invested \$8.5 million from the fund in Wingspread.

The Kelleys were sued in Santa Cruz Superior Court Friday by Laurence Spitters, a Palo Alto investor who loaned the Kelleys \$1 million in early 1989 for construction of a new office and clubhouse at Pajaro Dunes. The Kelleys developed Pajaro Dunes.

The suit said the Kelleys agreed to pay off the loan with \$150,000 payments at 45-day intervals, but have not made any payments.

Ryland Kelley said he had expected to pay off the loan sooner, but the 1989 earthquake delayed efforts to get refinancing.

REFERENCE

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