

Kelley defaults on Porter-Sesnon

By GUY LASNIER
Sentinel staff writer

Wingspread 6-28-90
SANTA CRUZ — Palo Alto developer Ryland Kelley has defaulted on more than \$3 million in loans secured by the Porter-Sesnon property where he planned to build the 468-unit Wingspread conference center.

First Nationwide Bank of San Francisco has filed notices of default, the first step to foreclosure. The bank said Kelley owes more

than \$400,000 in past-due interest on two loans dating back to 1981.

Kelley acknowledged Wednesday he has failed to make interest payments since August, but pledged he won't let the property go into foreclosure.

Kelley said he doesn't "anticipate any changes" with his new plans for the coastal land across Highway 1 from Cabrillo College.

"Nobody is walking away from this property," he said by tele-

phone from his Palo Alto office. "A sale on the courthouse steps ain't going to happen."

He has at least 120 days before the bank could sell the property, and no sale date has been set, bank officials said.

The news of Kelley's financial troubles boosted hopes the property might be purchased for a state park. Two citizens' groups have been working separately to get the state to buy Kelley out of his long-

term lease with the University of California, which owns the property.

"We've been working together for 11 years," said Vickie Powell-Murray, of Friends of Porter Sesnon. "Our goal is to see it as a state park."

Powell-Murray, a former employee of Kelley's company, Hare, Brewer and Kelley, was a leader of the anti-Wingspread effort that resulted in a 2-1 defeat of Kelley's

plans by county voters in 1988.

Another group, the New Brighton Beach Action Coalition, has been seeking private and state financing for eventual state purchase and an "environmental discovery center."

After his resounding defeat at the polls, Kelley said he would build a scaled-down version of his Wingspread project, with 197 units, but with none of Wingspread's proposed cultural and sports ameni-

ties. He called the new project Meadowpark.

Kelley's latest plan calls for 130 units, the maximum allowed in the county General Plan. Kelley outlined the proposal in a letter to the county Planning Department, but has not formally applied to build it.

Supervisor Robley Levy voted for Kelley's original proposal but said she would support no others after voters turned it down.

Please see **DEFAULT** — Page A14

Default

Continued from Page A1

"The public made it clear they want to see the property become a state park," Levy said Wednesday. "Clearly much of this rests on his financial position."

Kelley's troubles with First Nationwide are not his only financial problems. A group of investors in a limited partnership filed suit in March alleging Kelley and his brother William overstated their financial worth. The investors in Prime-Plus Mortgage Fund said the Kelleys had insufficient collateral when they took \$8.5 million from the fund for the Wingspread project.

The Kelleys were giving depositions in the case this week. Ryland Kelley said he has already turned some money over to the disgruntled investors after selling real estate and has "no question we will satisfy them."

The Prime-Plus financing brings to more than \$13 million the amount secured by the Porter Sesnon property. Kelley, doing business as Conference Associates, borrowed \$2.4 million in 1981 and \$600,000 in 1982 from a savings and loan that later became First Nationwide. In 1986, he borrowed \$2 million from Monterey Bay Income Partners, a limited partnership he headed with his brother.

"The property is so over encumbered," a bank official said Wednesday. There have been negotiations over the debt, she said, but no recent talks have taken place.

Kelley gained control of the 66 acres in 1979 when he signed a 99-year lease with the University of California for \$1.75 million. He also privately owns an adjoining six

Talks for state acquisition broke down more than a year ago when Kelley and the state could not agree on a price. State appraisers pegged the value at \$4.5 million. Kelley held out for nearly \$10 million.

Local opposition to development affected the state appraisal. It also affected an appraisal by First Nationwide two months ago, when Kelley sought more funds, said a bank official who wouldn't say what the bank thinks the property is worth.

Sen. Henry Mello, D-Watsonville, secured nearly \$4 million in state park bonds for the land but the money reverted to other projects when no deal was reached after several years.

"The department continues to have a very strong interest in acquiring the land for expansion of New Brighton State Park," said Ross Henry, chief of the Division of Planning and Local Assistance for the state Department of Parks and Recreation. However, no money is currently available.

The earliest would be the 1991-92 budget, Henry said.

A parks bond measure is moving through the Legislature that could provide \$75 million for parks acquisition, but it faces several hurdles before making the November ballot, Henry said.

On the local front, the Board of Supervisors is considering a ½-cent county sales tax for the November ballot. Although details of the tax proposal are still being worked out, money for parks will be in the measure, the Sentinel has learned. Porter Sesnon is one of several pieces of land in the county that could be on a buy list if the measure is successful.