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Inman News

Southern California beach colony rejoices over land deal

Agreement allows homeowners to purchase land beneath homes

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After three years of litigation, arbitration and mediation, a settlement has been reached between homeowners in the oceanfront community of Seacliff Beach Colony in Ventura County, Calif., and the land company that owned the property on which their homes were built. The agreement enables homeowners to purchase the property from the land company, Seacliff Land LLC, for a confidential purchase price.



Attorney Leila
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Homeowners did not own the property under their homes, according to a press statement. Instead, they leased the land from Seacliff. Their long-term leases stated that an adjustment to the rental amount would be allowed every four years. If Seacliff and the homeowners did not agree to the rental rate, the amount would be determined by arbitration. From 1983 to the end of 1998, the rental rate adjustment averaged 3.9 percent per year.

"Rates increased substantially for the period between 1999 through 2002. When homeowners complained, Seacliff agreed to a compromise rental increase and said that it was working with a CPA to create a plan to sell its lots to the homeowners," said Leila Noël, law partner with Santa Barbara's Cappello & Noël and who, with partner A. Barry Cappello, represented the homeowners. "The homeowners thought the rental increase would be only temporary until the land was offered to them for sale."

Instead, after four years without presenting a sales offer, Seacliff allegedly announced a rent increase of nearly 300 percent for virtually all of the homeowners. The homeowners demanded that an arbitration panel review the rent increase, pursuant to the terms of the lease agreements. The arbitration panel issued a ruling that set the rental amounts for that four-year period at a small fraction of Seacliff's proposed increase. "The uncertainty about future rental rate hikes remained, however," Noël said.

In 2002, 49 homeowners, many who built their homes in the 1970s and 1980s, sued Seacliff charging that it unlawfully raised the land leases, making the homes on the property prohibitively expensive and unmarketable. (*Alvarez et al v. Seacliff Land LLC*, et al, Superior Court, County of Ventura, Case No. CIV217572). "Home values took a hit. No one wanted to buy them because it was obvious Seacliff was looking to drastically increase the monthly land leases. Homeowners were stuck – they couldn't sell and they couldn't afford the increasing land lease costs," Noël said.

Cappello & Noël attorneys defended depositions of every homeowner and deposed Seacliff managers, according to a press statement. "The manager depositions revealed that they consistently made numerous inaccurate and misleading statements to homeowners about future rent hikes and their ability to eventually buy the land under their homes," Noël said. "These damaging depositions and the risk of litigation finally got Seacliff's attention and brought the case to the mediation table."

Seacliff agreed to sell the land to property owners if the homeowners could obtain financing for the sale. Funding was obtained from Wells Fargo and escrow closed on June 2. The value of the 50 beachfront properties, including land and loans, is in excess of \$70 million.

"The settlement results were very favorable for the homeowners," Noël said. "The sale price for the land was well below market value. The homeowners are now able to sleep well at night, knowing that they own the land beneath them."
