

10 Craziest Real Estate Lawsuits of 2017



Summary: *The year 2017 has been filled with a number of odd and significant lawsuits against those in all levels of the real estate industry.*

Real estate can hold a big risk for those involved in investing hundreds of thousands of dollars to develop projects. Based on the number of lawsuits filed against those in the industry, the risk is more common than investors would hope. According to the Real Deal, many of the lawsuits involve fraud and sexual harassment, something that is not new to the news this year. These 10 lawsuits held some of the largest significance in a crazy way to the industry in 2017.

Robert Shapiro with the Woodbridge Group of Companies

The Woodbridge Group of Companies is accused of running a billion-dollar Ponzi scheme. An alleged 8,000 investors were affected by the scheme. The company told investors to lend them money for the development and purchase of real estate and receive returns of five to 10 percent. The payouts started out regularly but soon dropped off. Southern California-based Woodbridge, which started out in Boca Raton, filed for Chapter 11 bankruptcy in Delaware. The Securities and Exchange Commission soon after filed a \$1.2 billion lawsuit against the company and leader Robert Shapiro.

Newmark Grubb Knight Frank and Mike Arnold

A former employee of Newmark Grubb Knight Frank filed a complaint against the company and their former managing director Mike Arnold. The anonymous female employee claimed she was sexually harassed, discriminated against and wrongfully terminated. With the help of her attorney, Mark Geragos, she further alleged that the real estate professional conference in Las Vegas is filled with drug usage paid for with company money. Managers allegedly would pressure junior employees to take cocaine across state lines for the conference.

Ben Bacal vs. Ryan Davis

Once partners, Ben Bacal and Ryan Davis, have been battling in court over unresolved payouts on four different properties. Davis, who now works with Compass, filed the lawsuit four years ago. He alleged in his lawsuit that Bacal broke their agreement to go Dutch on the commission they earned at Sotheby's International Realty. The combined value of the properties is \$96 million. Bacal's lawyers are petitioning for the case to go to arbitration.

8th Bridge Capital swindle

The Los Angeles-based 8th Bridge Capital was sued for swindling Atlanta firm Southeast Regional Center from profits earned from marketing projects abroad. Moses Choi, owner of SRC, alleges that the head of 8th Bridge, Young Hun Kim, took over half a million dollars from his personal funds to promote EB-5 projects in Asia. This included the Ace Hotel in Manhattan.

Developer Neil Shekhter

The Santa Monica developer of NMS Properties was usually just involved in joint-venture contracts disputes with AEW Capital Management but Neil Shekhter also found himself at the center of allegations of assault, doctored legal contracts and testimony from a Secret Service agent. NMS claimed AEW backed out of their agreement to allow them to buy AEW stake. NMS filed eight lawsuits against AEW but AEW counter-sued, accusing Shekhter of running a "criminal enterprise" through the forging of documents and physical assault of representatives of the new owners of a property portfolio sold by AEW. Shekhter filed a motion to dismiss a lawsuit this summer but a judge denied his request. The case will head to trial next summer.

Whole Foods in Malibu

Malibu had a law requiring a public vote to determine the limits on chain stores and major development projects. The measure was eliminated with the help of developer Steve Soboroff. A lower court ruling was upheld by the California Supreme Court to get rid of the measure, stating it was an illegal control on chain stores. Allowing the public to put a cap on chain stores because of who they were instead of the use of the space went against fair practice. Soboroff, who happens to also be the president of the L.A. Police

Commission, is now able to develop a 24,000 square-foot Whole Foods Market in the up-scale community.

CoStar Group

The commercial real estate data company was involved in several court battles this year. They started out fighting the Orange County-based Apartment Hunters for using their listings and photographs on the CoStar subsidiary Apartments.com. A federal judge ruled in CoStar's favor. CoStar has also been fighting competing data firm Xceligent for a long time. The legal problems were solved when Xceligent filed for Chapter 7 liquidation and shut down.

Million Dollar Listing Los Angeles

A former Hilton & Hyland client is suing the brokerage and its agents Josh and Matt Altman for allegedly deceiving him into selling his million dollar home for less than it was worth. Peter Kleidman is suing them for \$3.7 million, claiming they tricked him into selling his home for \$5.3 million. The buyer then turned around and sold the home for \$10 million. Kleidman filed for bankruptcy soon after hiring Hilton & Hyland. The brokerage and agents are trying to get the lawsuit dismissed.

Vagabond Hotel and Bayside Motor Inn Developer

Nearly a year after a judge ordered Avra Jain, the Vagabond Hotel and Bayside Motor Inn developer, to pay \$8.2 million to her ex-partner, Jain sued her lawyers for almost twice that amount in damages. The developer went after Buchanan Ingersoll & Rooney and shareholder Richard A. Morgan, alleging malpractice and breach of fiduciary duty. She believes Morgan did not adequately defend her, investor Paul Cashman Murphy and H-G Investments LLC back in 2009 when her former business associate Abraham Cohen sued her. He claimed he was owed over \$4 million for the luxury condo project they were involved in. Jain now wants \$15 million from Morgan and the law firm to cover expenses, damages, and the judgment from the Cohen case.

Jared Seligman of Douglas Elliman

The former assistant of powerful Douglas Elliman broker Jared Seligman is suing him for sexual harassment. Amy Gagnon claims he made her watch him sexually harass his doctor and would make her work from his home where he would have "loud and unmistakable sexual intercourse" in the next room. This lawsuit was quietly settled.

Do you think there is too much risk investing in real estate? Share your thoughts with us in the comments below.

To learn more about sexual harassment lawsuits, read these articles:

- [19 Hollywood Power Players Recently Accused of Sexual Harassment or Abuse](#)
- [Federal Judges Decide Fate of Sexual Harassment Claims](#)
- [Congress Used \\$199K of Taxpayer Money to Settle Sexual Harassment Claims](#)

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