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The 15 Most Fascinating New York Real Estate Cases of the 21st Century

By Daniel Geiger

The Case of the Loophole & The Greek Shipping Magnate

Other than the J-51 lawsuit that upended Stuyvesant Town and Peter Cooper Village, perhaps no other case demonstrates how the city's real estate market can hinge so seismically on legal technicality.

In 2008, the economy collapsed into a deep recession and the residential real estate market in the city came crashing down. The situation seemed especially dire and cruel for condo buyers who were under contract to purchase an apartment. Though these buyers hadn't yet completed their acquisitions, they had pledged nonrefundable down payments of tens or even hundreds of thousands of dollars to buy apartments that were suddenly worth 40 percent less.

Then **Adam Leitman Bailey**, a real estate attorney in Manhattan, came up with a novel solution. **Mr. Bailey**, in collaboration with other lawyers at his eponymously named firm **Adam Leitman Bailey PC**, noticed that contracts at numerous condo buildings did not conform to an obscure federal law passed in 1968 called the Interstate Land Sales Act.

The rule required developers to provide disclosure documents. Many developers had given borrowers the forms, but **Mr. Bailey** noticed that they often had not been prepared properly when they were filed with the city to record a condo's sale. One of the first cases in which **Mr. Bailey** unveiled his argument concerned a \$3.4 million condo that Greek shipping magnate Vasilis Bacolitsas had purchased in a high-end Upper East Side building developed by Related. What seemed like a long shot turned into a victory that stunned the real estate world and suddenly opened the floodgates for **Mr. Bailey** and other attorneys to try to nullify other sales contracts around the city.



In practice, **Mr. Bailey** said, the ruling allowed most buyers the leverage to renegotiate with developers and receive a discount to go forward with their purchases. He estimates he represented about 1,000 buyers who received discounts.

“It helped the buyers, and really it also helped developers, because after the ruling, it gave them the ability to go to their lenders and say ‘hey, we have to lower prices,’” **Mr. Bailey** said. “Many developers couldn’t negotiate with buyers before this, because their lenders wouldn’t let them slash prices.”

Ironically, Related appealed the decision with Mr. Bacolitsas that got ILSA cases off the ground, and that suit has yet to be sorted out.

“Whatever the outcome of that case, ILSA’s time has passed,” **Mr. Bailey** said. “All developers conform with it now, and prices have rebounded. It was a tool that worked during the downturn.”