

# Doctors Claim Malpractice in Condo Development

**REAL ESTATE:** Trio says they lost almost \$1 million in Koreatown project.

By **CALE OTTENS** Staff Reporter

With its proximity to downtown, Hollywood and the Miracle Mile as well as easy access to transit hubs, Koreatown has become one of the most sought-after neighborhoods for real estate investment.

Investors from near and far have bankrolled a flood of development — from hotels to apartments to retail — which has been transforming one of the city's most densely populated neighborhoods. But as three out-of-town doctors found, it takes more than a hot market to guarantee profitability.

Each plunked down \$500,000 for a 7 percent stake in Arapahoe Plaza, a six-story mixed-use development near Olympic Boulevard east of Vermont Avenue, back in 2005. After a series of delays, the 45-unit condo project finally opened in 2010. But instead of taking 21 percent of Arapahoe Plaza's net profits as planned, the three say they are out a total of \$900,000, a loss they say is due to fraud.

Their dispute with **Yong Won Kim**, an L.A. doctor who put together the investors and acted as the project's developer, points out some of the pitfalls that can face investors who venture far from their areas of expertise — and their home markets.

"From the outside, being in the real estate world, it looks easy. But when you're actually in the real estate world, it's very difficult," said **Edgar Khalatian**, a partner at the downtown L.A. office of law firm **Mayer Brown**. He regularly represents real estate developers and investors but was not involved in the Arapahoe Plaza development. "Everybody thinks real estate is a no-brainer and sometimes people get lucky, but I can point to many who have lost everything."



Checked In: Retail-condominium property Arapahoe Plaza in Koreatown.

Khalatian said he advises all clients to ensure they establish a solid relationship before even considering to invest in a project.

"If my uncle was a doctor and said there was a great opportunity to invest in Seattle, my first question would be: Do you know them?" he said. "There needs to be regular involvement; you can't be a passive investor in an out-of-state project."

## Early troubles

Arapahoe Plaza was originally praised for its plans to breathe life into a deteriorating part of the neighborhood, but at the outset it was beset by problems.

The condo development started in 2005 when Kim, a California-licensed medical doctor, teamed up with dentist **Rodney Beckett** and orthopedic surgeon **Francis Paul DeGenna**, both from Ohio, and **Reffak Abofreka**, a former OB/GYN doctor in Virginia.

None of the investors returned messages seeking comment on the deal.

Backed in part by the \$1.5 million in equity provided by the out-of-state investors, Kim secured a \$16.5 million construction loan, according to court filings. But construction was delayed for months as a series of general contractors, at least three, were fired from the project.

**Michael Koshet**, a commercial real estate broker in the Tarzana office of **Re/Max Commercial**, said he was surprised that the project stalled in a market with the high demand of Koreatown. He is not affiliated with the Arapahoe Plaza development but he is active in the neighborhood, and he said one of his clients wanted to offer \$30 million to take over the project.

"It stood empty a long, long time and it's a nice building with a good location," Koshet said. "But I couldn't find anything on how to get a hold of the owner. I guess when a deal goes bust like that, you don't have a phone number to call somebody."

Financial statements provided to the investors, their complaint says, portrayed a proj-

ect that was losing money. After they reviewed the documents in early 2011, they agreed to sell their stakes to Kim for \$600,000 — a 60 percent loss on their investment.

The three subsequently hired an accountant to review the statements. It was not clear what spurred the hiring of the accountant after they had agreed to be bought out, but the assessment, they claim, showed that rather than losing money, Kim and his wife transferred \$3 million from the development to their personal accounts in the form of reimbursed expenses.

**Timothy Scanlon**, a partner at law firm **Klein DeNatale Goldner** in Bakersfield who is representing the investors, declined to comment on the dispute.

## Still booming

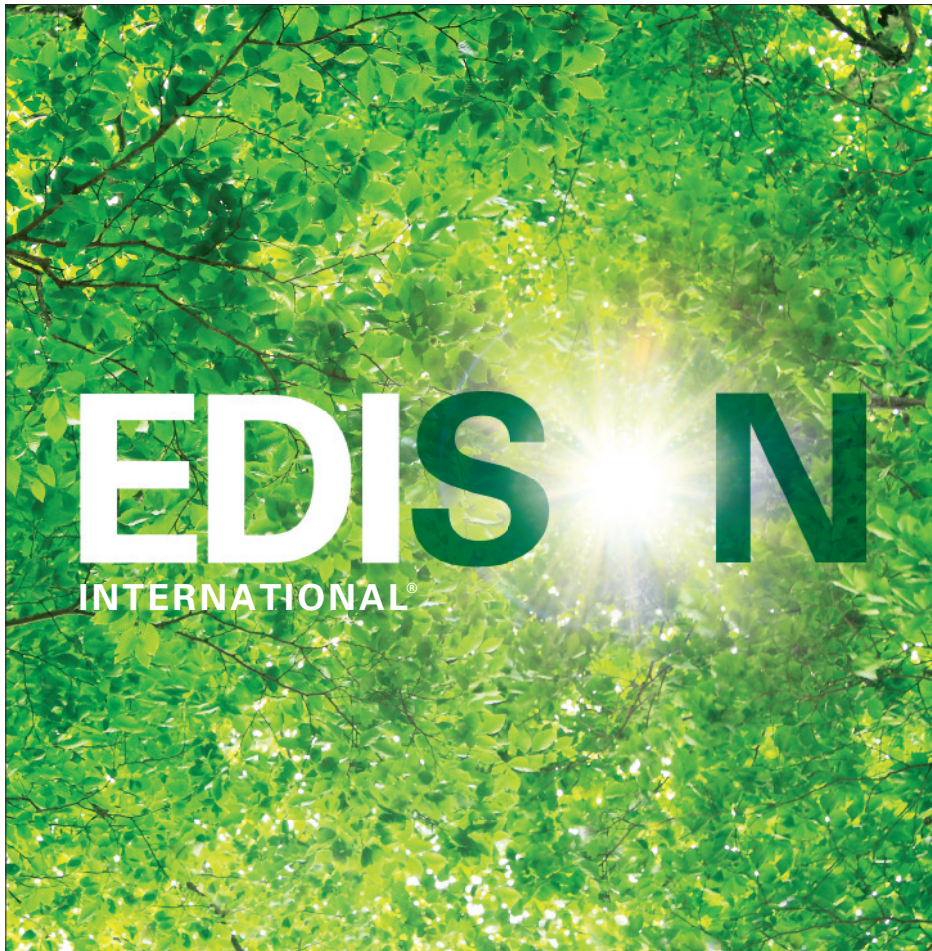
Koshet said he was puzzled by Arapahoe Plaza's stumble, given the heat being generated in the market.

"There's such a high demand in this area. It's almost impossible not to rent a unit, almost impossible to not sell a condo or sell a building," he said. "The place has been hot for a while and it's going to continue to get hot."

Earlier this year, for instance, L.A. investment firm **TruAmerica Multifamily** and Chicago's **Capri Capital Partners** together bought the Vermont, a luxury high-rise apartment and retail complex in the neighborhood for a whopping \$283 million — one of the largest deals this year.

Current for-sale listings for units at Arapahoe Plaza range from \$565,000 (\$349 a square foot) to \$589,000 (\$342). Those asking prices are slightly lower than the median price per square foot at condos sold in Koreatown last month. In nearby ZIP codes, median prices last month were \$387 a square foot and \$405 a square foot.

In addition, rents in Koreatown tend to be more modest than in nearby Hollywood, downtown or Silver Lake.



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