

Scamming the Neighbors

In 1994, Yale and a partner, Signature Properties International, purchased Harbor Hills Country Club from the federal government. The federal government had confiscated the property from a developer who was bilking General Motors for millions of dollars. The initial asking price was \$20 million, but Yale and its partner bought it for \$10.5 million.¹ Now, Yale is the majority owner of its housing developer, Harbor Hills Development LP. Home-owners in the country club successfully sued the developer for failing to pay its share of the Home Owner Association (HOA) fees.

Stacking the Board:

The developer stacked the board of directors of the HOA. Michael Rich was both the president of the Harbor Hills Development LP and the Harbor Hills HOA. Four out of seven of the directors of the HOA were also paid employees of Harbor Hills entities controlled by Michael Rich.²

Shirking Obligations to the Community:

In 2010 Larry Bell and Esther Lane sued Harbor Hills Development LP on behalf of Harbor Hills Homeowners Association, Inc. for not paying its full share of assessments.³

The plaintiffs in the lawsuit alleged that the developer did not pay its full share of the assessments using three strategies.

- First, the developer excluded its lots in determining the pro-rata share of assessments owed. The plaintiffs alleged that in one of the most extreme years this resulted in the developer owning 24 percent of the lots but paying zero percent in expenses.
- Then in 2009, the developer included its lots in determining its share of assessments, but it declared that it would only pay half as much for each vacant lot as homeowners were forced to pay for their lots.
- The developer did not pay any assessments for its commercial property. The plaintiffs alleged that the developer went so far as to claim that it didn't know how its commercial property was zoned despite the developer's own engineer testifying under oath that it was zoned as commercial property.⁴

Harbor Hills Development LP lost the lawsuit. In 2013, the jury agreed that the Michael Rich breached his fiduciary duties, and he was ordered to personally pay \$2400. The jury agreed that the developer should have paid full assessments on vacant lots and paid assessments on its commercial property. It found that the Developer owed the HOA \$640,000.⁵ The developer appealed the ruling, but it was upheld by a District Court of Appeals.⁶

1 Dave Weber, "Harbor Hills New Owners Plan Resort Development", Orlando Sentinel http://articles.orlandosentinel.com/1994-04-20/news/9404200230_1_harbor-hills-yale-university-lake-griffin and David Damron "Is Harbor Hills a Blessing or Curse?", Orlando Sentinel http://articles.orlandosentinel.com/2000-05-15/news/0005160319_1_lake-griffin-harbor-hills-development

2 "Answer Brief of Appellees" Harbor Hills Development, LP ETC. ET AL v. Larry Bell, as Co-Trustee, ETC., ET AL., Statement of the facts 1-6, <http://www.ccfj.net/HOAFLLHarborHillsAnswBrief.pdf>

3 Ibid.

4 Ibid.

5 "Jury Verdict" Larry Bell v. Harbor Hills Development LP. <http://www.ccfj.net/CCFJHHVictJuryVerdict.pdf>

6 "Harbor Hills Development v. Bell Decision Without Published Opinion" November 10, 2015 <https://www.leagle.com/decision/In%20Adv%20FLCO%20160401-000584/HARBOR%20HILLS%20DEVELOPMENT,%20L.P.%20v.%20BELL#> and Jan Bergemann "Whopping Victory for Harbor Hill Homeowners against Developer" January 12, 2016 <http://www.ccfj.net/CCFJHarborHillLawSuit.htm>

Relationship to Yale:

Yale is the majority owner of many entities associated with Harbor Hills. Yale's most recent 990 shows that Yale owns: 54.45 percent of Harbor Hills Country Club LP, 55.00 percent of Harbor Hills Holdings LP,, 54.45 percent of Harbor Hills Utilities LP, and 54.45 percent of Harbor Hills Development LP, which was the defendant in the HOA lawsuit.⁷

Yale and Yale-owned entities have caused tax-related controversies regarding real estate in New Hampshire⁸ and Connecticut.⁹

7 Yale 2015 990 <https://www.citizenaudit.org/organization/060646973/YALE%20UNIVERSITY/>

8 Chris Jensen, "Tiny Millsfield: 'Collateral Damage' In A Fight Over Wind Farm Taxes", NHPR, May 22, 2014 <http://nhpr.org/post/tiny-millsfield-collateral-damage-fight-over-wind-farm-taxes#stream/0>

9 Kohler Bruno, "Tax Haven", The Yale Herald, September 20, 2013 <http://yaleherald.com/homepage-lead-image/cover-stories/tax-haven/>