2026-10-30

Gen RE



The Case development has five homes ranging from about 10,000 square feet to around 12,500 square feet. One has sold, while the rest are nearing completion. CLOCKWISE FROM TOP LEFT: NICK SHIRGHIO; AARON SCHWARTZ/ BLOOMBERG NEWS; ADAM AMENGUAL FOR WSJ

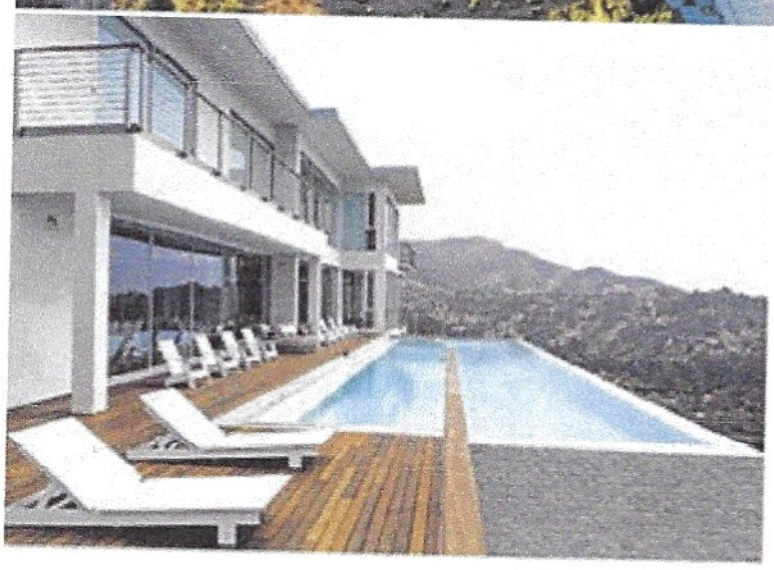


The homes sit on a hilltop overlooking the Pacific Ocean. Gillen bought the 24-acre parcel in 2017.

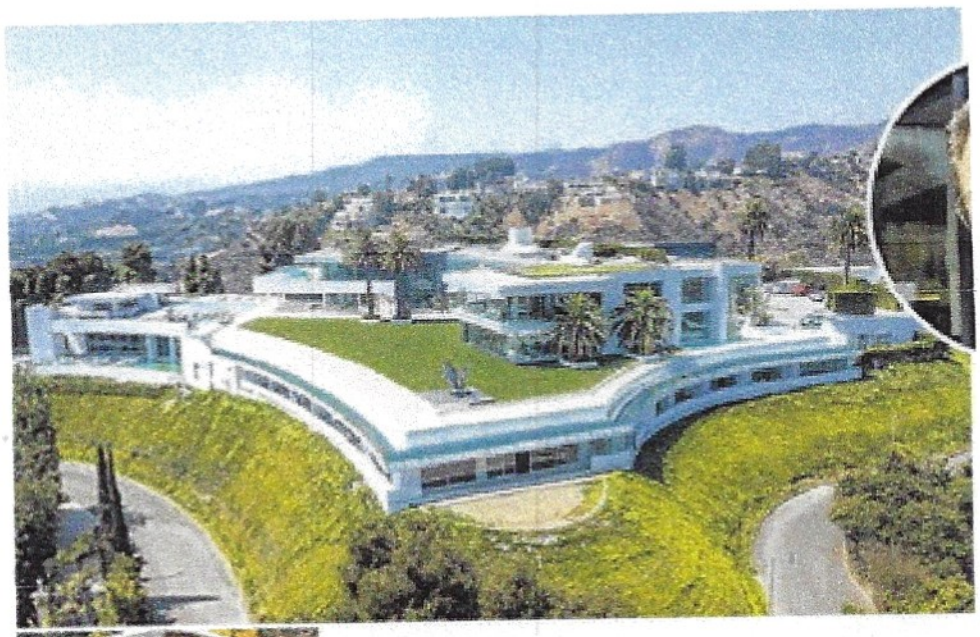


CLOCKWISE FROM TOP LEFT: ADAM AMENGUAL FOR WSJ; MICHAL CZERWONKA FOR WSJ; GETTY IMAGES
The Case, above, sits just off the Pacific Coast Highway. Scott Gillen in 2018, inset. Below, one of the Case houses sold for $61 million in 2024.





The New Castle has amenities including a gym, wine room and pool.







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The Priciest Neighborhood in the U.S. Is Unraveling—And Not Even Finished

Developer Scott Gillen's ultraexclusive Malibu enclave is in bankruptcy as he battles a partner in court

BY KATHERINE CLARKE

It was supposed to be the most-expensive new neighborhood in the U.S., a cluster of five midcentury- inspired mansions perched on a hilltop overlooking the Pacific Ocean in Malibu, Calif. The ambition was to sell them for nearly a half a billion dollars to some of the world's richest people.

But nearly a decade in the making, the ultraluxury development, known as the Case, is facing collapse. Four of its five houses are unsold. Entities tied to 66-year-old developer Scott Gillen filed for Chapter 11 bankruptcy protection this summer. Gillen is also battling a partner in bankruptcy court for control of the project.

Malibu's market has faced challenges in the wake of recent wildfires, but the collapse of the Case says less about Malibu than about the cult of personality surrounding L.A.'s high-profile spec-home builders. In an age where reality shows like "Million Dollar Listing Los Angeles" and "Selling LA" have turned agents and developers into celebrities, Gillen overcame a criminal history to make a name for himself as a design visionary. But local agents and industry insiders said it was ultimately his perfectionism and reluctance to lower his ambitious asking prices that undermined the success of the Case.

"The idea was right," said real-estate agent Tracy Tutor of Compass, who worked with Gillen on sales at the Case in 2019. "It was a beautiful piece of land in a great

THE CASE

Please turn to page M6

Asking prices at the Case

$40

MILLION TO

AROUND

$100

MILLION

location. Ego just got in the way."

Gillen isn't the first spec-home builder to stumble at such a scale. Developer Nile Niami, famed for the One Bel-Air, a 105,000-squarefoot house once expected to list for $500 million, crashed spectacularly after massive cost overruns and delays sent the property into foreclosure. It sold at auction for $126 million in 2022.

Alexander Ali, founder of PR and branding company the Society Group, represented Gillen at the Case between 2017 and 2019 and has helped several developers mount PR campaigns for megamansions. "I've watched the Icarus complex play out," Ali said. "Ambition starts setting the terms.... They fly too close to the sun, and they fall back to reality."

Gillen and his lawyer declined to comment on the bankruptcies. In court papers filed in United States Bankruptcy Court, Gillen said he initiated the bankruptcy to preserve the Case's value and protect it from a partner who had breached contracts and fiduciary duties.

"The homes that I build are known for their top quality and they command top-of-the-market values," he wrote.

Too close to the sun

The two bankruptcy filings tied to the Case this summer revealed a long list of creditors, including landscapers, a security firm and multiple subcontractors. The developers also have outstanding loans from JPMorgan Chase and an entity tied to Private Mortgage Fund, a California-based bridge lender. Neither JPMorgan nor PMF responded to requests for comment.

The project's biggest debt, however, is owed to one of Gillen's partners, a limited-liability company tied to L.A. developer and investor Barry Shy.

Shy's company says it provided a $260 million promissory note to the project in 2021, of which roughly $120 million remains outstanding, according to court records. Shy claimed in court documents that Gillen owes him more than $240 million including interest— more than the combined value of the unsold homes. Gillen has disputed that figure, claiming in court documents in July that the outstanding principal balance was just $89 million.

"Shy was the money and Gillen was the vision," said Adam Stein-Sapir, a bankruptcy expert at Pioneer Funding Group. "Somewhere along the way, things went sideways."

In court documents, Shy has alleged that Gillen mismanaged the project and is asking that a receiver be appointed by the court and control of the project turned over to his company. He wrote that the property could fall into disrepair if it isn't actively maintained, become vulnerable to vandalism if the security isn't paid, or lose its insurance coverage if the policies go unpaid. In court papers, Gillen said his company has paid for "asset protection" measures at its own expense.

Gillen accused Shy in court filings of "deception, fraud, deceit, forgery and self-dealing in an attempt to seize control of the project and hoard potential upside." In additional court filings made this week, Gillen said Shy stopped funding the project in 2025 in an effort to squeeze him out and take the Case for himself.

Shy and his attorney didn't respond to requests for comment.

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Humble beginnings

A marketing video for the Case shows Gillen driving onto the site in a classic 1936 Ford 3-window coupe hot rod, wearing a biker jacket and sunglasses. A prolific car collector known for his gruff personality, he's more likely to be seen in flannel shirts and work boots than in a designer suit. He's often smoking a cigar.

In the video, he talks about making a better life for his family; he is married with a daughter. His own father left when he was a year old, he says, while his mother worked three jobs to get by.

His past also includes multiple run-ins with the law. Among them was a previously unreported murder charge in connection to the killing of a reputed drug dealer in 1987, when Gillen was in his mid-20s. Gillen, then going by the name Scott Ashley, was ultimately convicted in a jury trial of a lesser offense of being an accessory to a felony, according to court records. He was placed on felony probation after awaiting trial in a L.A. County jail, records show. Gillen and his lawyer declined to discuss the charges.

In various interviews over the years, Gillen has described a difficult childhood, saying he was born in Laguna Beach and grew up in Sherman Oaks. A car obsessive, he said he taught himself how to do complex repairs and landed a job at a hot-rod shop in the San Fernando Valley. He said he also worked as a stunt driver, including for the movie "The Dukes of Hazzard."

He then had a successful career directing television car commercials, he told The Wall Street Journal in 2018. "I shot everybody. I shot Mercedes. I shot Ford. I shot Lincoln. I shot Volkswagen," he said.

He rolled his cash into small real-estate investments, he said, then bigger ones over time, building four homes—which he named the Who, Why, What and Where— in a small Malibu community.

In the mid-2010s, Gillen joined with Shy to build a large Malibu estate known as the New Castle, with a gym, a wine room, a cigar room and a $1.5 million teak staircase. He put it on the market for $85 million, a bold price point that propelled Gillen into the ranks of L.A.'s well-known spec developers alongside Niami and QVC titan Bruce Makowsky. The New Castle never sold; it isn't currently listed publicly. Shy moved into the house after the Palisades fire, Gillen said in court filings, alleging that Shy wasn't entitled to do that.

Falling in love with the product

In July 2017, Gillen paid $50 million for the 24-acre parcel of land that would become the Case, setting a then-record for undeveloped land in Malibu. A nod to the Case Study Houses—experimental, modern homes designed from the 1940s through the 1960s by architects like Richard Neutra—the Case was to consist of five homes ranging in price from about $40 million to around $100 million. The low-slung homes look similar but vary in size from about 10,000 square feet to around 12,500 square feet. The four unsold properties are all nearing completion.

When Gillen started marketing the Case around 2019, the development made headlines in newspapers and magazines all over the country. Gillen appeared on the cover of Malibu magazine, which featured a series of photos of the developer puffing on a cigar and giving the camera the middle finger.

Though he isn't a licensed architect, Gillen saw himself as much the architect of the project as its developer, agents said, obsessing over the details and sparing no expense.

"I don't code myself as a developer, I'm more of a designer," Gillen told the Journal in 2023. "I don't have a lot of patience when it comes to quality. I demand a certain level of detail."

One of the houses sold for $61 million in 2024, property records show. The buyer was a limited-liability company tied to Pam Walkenbach, whose father founded the discount brokerage Scottrade. She couldn't be reached for comment.

But agents who tried to do deals said they frequently found that Gillen's passion for the project got in the way of sales.

"He hired agents to show the property, but then didn't think they were good enough to do it themselves," Tutor said. "He wanted to be at every showing and to talk to the buyers directly, which often served as more of a turn off to them."

Gillen's perfectionism also sometimes made it difficult to show the homes, agents said. Once, when the agents hosted a party to promote the houses, Gillen insisted that everyone take their shoes off to protect the floors, Tutor said, and that the toilets be covered with plastic wrap so no one could use them during the event.

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"There are developers who fall in love with their own product," said agent Josh Altman, former star of "Million Dollar Listing Los Angeles," who briefly listed a property for Gillen years ago. "When they stop making it about dollars and cents and start thinking their work is uniquely special, that's where they get in trouble."

'A little pot of gold'

Gillen told the Journal in 2023 that the project had been hampered by supply-chain delays related to the Covid pandemic, but he said his lenders on the project were patient. "My banks, they know me, they trust me.…They feel very comfortable," he said. "They know the market is extremely strong on the high end." He wasn't prepared to cut prices, he said, because of the strong Malibu market, which had taken off after Covid.

"This is probably one of the best bluffs in California.…It's like a little pot of gold," Gillen said. "We're not going to adjust our prices. We will sell for close to the asking." A few months after the interview, Beyoncé and Jay-Z paid $190 million for a Tadao Ando-designed Malibu mansion, and in 2024, Oakley founder James Jannard set a California real-estate record selling his oceanfront mansion for $210 million.

Behind the scenes, agents said the Case wasn't appealing to their billionaire buyers, who didn't like the homes' design or their proximity to one another.

"At that level, buyers don't want to live in a subdivision," Tutor said. "Why would you pay $50 [million] or $100 million for a home when your neighbor to the left has almost exactly what you have? You want something special and different."

Altman said Gillen set unrealistic prices from the outset. "The lots were awesome," Altman said. "He could have sold [the houses] 10 times over at a reasonable price."

By the time the Palisades fire ripped through Malibu in early 2025, Gillen's project had been struggling for years. Though the Case wasn't directly harmed by the fire, the broader impact of the disaster had ripple effects on values and buyer demand across the region. As of mid-October, 160 Malibu homes were listed below their original asking price, with a median price cut of 8.9%, according to the website Luxury Price Drops.

In court documents, Gillen has said he supported the sale of two Case homes to an affiliate of billionaire businessman Don Hankey for $110 million last year, but that Shy threatened to block the sale. Hankey, who is perhaps best known for providing President Trump's $175 million bond in his New York civil fraud case, didn't respond to a request for comment.

For his part, Gillen appears to remain optimistic. On his Instagram account on Oct. 3, he posted an image of the Case. "Whatever you do, you fight the fight, you never stop and you never give up," he wrote. "I remember when I bought this dirt, lizards, and snakes that's what I got. Look at it now, I get to look back and say yeah I did that s—. We're almost there just a little bit more. Have a fantastic day."

—Additional reporting by Leonora Epstein

Nile Niami, in inset in a 2018 photo, developed the One Bel-Air, left.

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