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Croman pleads guilty to mortgage, tax fraud; Will serve 1 year in jail

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On May 23, Steve Croman, left, exiting Manhattan Supreme Court with his lawyer, Benjamin Brafman, just weeks before Croman would take a plea deal, agreeing to a one-year jail sentence. Photo by Jefferson Siegel
BY LINCOLN ANDERSON | Updated Thurs., June 8, 12:45 a.m.: Notorious landlord Steven Croman will serve one year in Rikers and pay a \$5 million tax settlement after pleading guilty in court Tuesday morning to grand larceny, falsifying business records and criminal tax fraud. While the conviction comes as welcome news to many Croman renters, tenants who charge they have suffered harassment under him for years said the penalty is hardly enough.

Croman entered the guilty plea before State Supreme Court Justice Jill Konviser.

The landlord — who is believed to own at least 140 buildings in Manhattan, though possibly dozens more — fraudulently obtained several multimillion-dollar refinancing loans between 2012 and 2014, and committed tax fraud in 2011 by failing to withhold appropriate New York State payroll tax from certain Croman Real Estate employee paychecks.

Rarely, if ever, has a landlord been sentenced to serve jail time for engaging in these practices.

State Attorney General Eric Schneiderman's Office prosecuted the case.

In a statement, Schneiderman said, "Steven Croman is a fraudster and a criminal who engaged in a deliberate and illegal scheme to fraudulently obtain bank loans. He went to outrageous lengths to boost his bottom line — including falsely listing rent-stabilized units at market rates when his efforts to displace those renters had failed. Now Mr. Croman faces a year in Rikers and a \$5 million settlement — and unscrupulous landlords are on notice that we'll pursue them to the fullest extent of the law."

Croman will be sentenced Sept. 19.

Neighborhoods where Croman owns concentrations of buildings include the East Village — where the mother lode of his property is — the West Village, Lower East Side, Nolita, Hell's Kitchen, Kips Bay and East Harlem, among others. For more than two decades, tenant coalitions have organized to defend themselves against his tactics. In recent years, ex-cop, Anthony Falconite — who Croman reportedly dubbed his "secret weapon" — allegedly harassed and intimidated the landlord's rent-regulated tenants by entering their apartments illegally, photographing their mail and property and

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repeatedly threatening tenants with eviction. Two years ago, Schneiderman slapped Croman with a cease-and-desist order, telling him Falconite had to stop the behavior or the landlord would face fines.

In just one local example of alleged harassment by Croman, three years ago, tenants at 309 E. Eighth St. charged he was using disruptive construction renovations to try to force them out of their rent-regulated apartments.



Three years ago, James Peterson, a tenant at 309 E. Eighth St., showed his hand after wiping it over the construction dust that was then coating his door. The East Village building is owned by Steve Croman. Tenants charged that the landlord was using construction to harass them and force them out of their rent-regulated apartments. File photo by Zach Williams

Leading up to Tuesday's guilty plea, a year-long investigation by the Attorney General's Office found that Croman purchased buildings with rent-stabilized units and, immediately after purchase, began the process of displacing rent-stabilized tenants while simultaneously attempting to refinance the initial mortgage.

Governor Andrew Cuomo said, "We have zero tolerance for those who seek to use harassment and intimidation to chase tenants out of their homes. The Tenant Protection Unit [of the New York State Department of Housing and Community Renewal] was created to crack down on these unscrupulous practices and this prosecution sends a clear message that New York stands united and the full force of the law will be used to ensure the rights of renters are respected and protected."

RuthAnne Visnauskas, commissioner of H.C.R., said, "Under Governor Cuomo and Attorney General Schneiderman, we will continue to bring more resources to bear to protect more than 2 million rent-regulated New Yorkers. The governor's Tenant Protection Unit and our partners in law enforcement will vigorously investigate an owner's questionable business practices that put profits over the safety and security of their tenants. When this happens, tenants suffer; they lose their homes and they lose their communities. I congratulate the A.G. and the governor's Tenant Protection Unit for another job well done in holding an owner liable for his criminal actions."

"Attempting to displace families from their homes is criminal and deplorable, and should be punished to the full extent of the law," added Maria Torres-Springer, commissioner of the city's Department of Housing Preservation and Development. "Seeing one of the city's most notorious landlords receive jail time as a direct result of his actions sends a powerful message to those who would prey on vulnerable tenants."

Croman admitted to submitting false documents to banks, including rent rolls that falsely reflected market-rate rents for units that were actually occupied by rent-stabilized tenants. He also inflated the amount of rent charged for certain commercial spaces in his buildings in an effort to show greater rental income. Croman falsified these rent rolls in order to inflate his buildings' annual rental income, upon which his refinancing terms are partially based.

All told, over a three-year period, Croman received more than \$45 million in loans under these false pretenses.

Croman also intentionally failed to withhold New York State payroll taxes from bonus payments made to a former Croman Real Estate property manager, who was paid bonuses to get rent-stabilized and rent-controlled tenants out of Croman apartment buildings.

A.G. Schneideman also has a separate civil lawsuit against Croman for allegedly engaging in harassment of rent-regulated tenants and other illegal, fraudulent and deceptive conduct in connection with his real-estate business. That case is ongoing.

Cynthia Chaffee and her husband, Peter, live in an apartment in a Croman building on E. 18th St., where she keeps voluminous files on what she says are the landlords' misdoings. Chaffee said the number of buildings Croman owns is really closer to 185, since many are listed under LLC's and, thus, harder to identify.

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Cynthia Chaffee and her husband, Peter, in 2014 inside their E. 18th St. apartment, where she stores her voluminous files on what she says are the misdoings of her landlord, Steven Croman, and all his properties. The couple have driven around Manhattan in their car and taken photos of every single Croman-owned building that they can identify. File photo by Gerard Flynn

According to data compiled by Chaffee on the stopcromancoalition.org Web site, Croman owns 47 buildings in the East Village, containing a total of 617 units; 12 buildings each in the Lower East Side, Kips Bay and East Harlem; and 11 buildings apiece in the West Village and Hell's Kitchen. The gross annual income of Croman's East Village portfolio is particularly lucrative at more than \$23 million, according to Chaffee. Buildings he owns in Nolita are also big moneymakers, she added.

Asked her thoughts about Croman's plea, the tenant activist told The Villager, "A year in jail is better than the eight months that the newspapers have previously reported. But, even so, we do not feel that the punishment adequately fits the crime. Some of his tenants have been without heat or gas longer than his sentence.

"Croman will pay a fine of \$5 million. However," she noted, "he duped and bilked the banks of \$45 million, giving him a net gain of \$40 million. Some people would do that every day of the week.

"The judge did stipulate that if Croman got into any more trouble — even a jaywalking ticket — between now and sentencing day, Sept. 19, she would withdraw the plea deal and could significantly increase the sentence. The Stop Croman Coalition is hoping that he gets a jaywalking ticket."

Although Croman still faces a civil case, it won't result in any more years being added to his one-year sentence, Chaffee noted.

"No, he's facing no more time," she said. "The criminal case is over. The civil case will not result in criminal charges. It will be for harassment, Falconite, deprivation of services, etc. We're hoping that he get his real estate license revoked and the buildings put into receivership."



A protester at one of the frequent demonstrations outside Steve Croman's Noho offices. Councilmember Corey Johnson, whose district includes the Village, Chelsea and Hell's Kitchen, said his office regularly gets complaints about Croman, and that he was heartened by the guilty plea.

“I want to commend Attorney General Eric Schneiderman and his team for their successful pursuit of Steven Croman, one of the most notorious, unscrupulous, abusive landlords in New York City,” Johnson said in a statement. “Nearly every week, my office receives calls from this man’s tenants throughout my district. Many of them are elderly, disabled and living on fixed incomes. Steven Croman targeted them with illegal tactics, and now he will pay the price. I hope landlords across New York City hear Attorney General Schneiderman’s message loud and clear: If you violate the law and harass your tenants, you will face justice.”

Assemblymember Yuh-Line Niou said Croman has also been a scourge to tenants in her Lower Manhattan district, which includes Chinatown.

“Harassing families and trying to drive them out of their homes is never acceptable, and today’s guilty plea by landlord Steve Croman shows that protecting tenants is a top priority in New York State,” Niou said. “Tenants in my district have long complained about Croman’s harassment practices — from lack of basic repairs and collapsing rooftops to mismanagement of rent payments. Steve Croman’s guilty plea demonstrates the extent to which he went to falsify housing records, and I applaud Attorney General Schneiderman for his actions against this unscrupulous landlord. I look forward to working with advocates, tenants and colleagues as we continue to fight for tenant protections in our city and state.”

State Senator Brad Hoylman — whose district stretches from the Upper West Side to Greenwich Village and the East Village — hailed the guilty plea of, as he put it, “The Bernie Madoff of Landlords.”

“Steve Croman is a con man who abused the trust of scores of my constituents, who just wanted a safe and secure place for themselves and their families to call home,” Hoylman said. “This is a huge win for tenants and should serve as a warning for slumlords that if you harm our constituents, Attorney General Eric Schneiderman will seek you out and prosecute.”

In addition, Hoylman has called for an immediate stay on all Croman-initiated tenant cases pending review of whether relevant cases can be consolidated into a single class-action case, in light of the ongoing civil complaints filed by the attorney general.

In related news, last week, Schneiderman formally introduced new legislation — the Tenant Protection Act of 2017 — that would make it easier to convict landlords of harassing rent-regulated tenants.


Current state law demands prosecutors reach “an inexplicably high bar,” according to Schneiderman, to criminally charge landlords with that crime. So, it’s not surprising that in the past 20 years, not one landlord has been convicted of criminally harassing a rent-regulated tenant. Instead, prosecutors have only been able to bring criminal charges against landlords for other crimes — such as fraudulently refinancing loans and committing tax fraud, to which Croman pled guilty on Tuesday.

Schneiderman said his legislation would “set a more reasonable standard” that removes the need to prove physical injury to a tenant, and would open the door to harassment prosecutions “arising out of more commonplace and insidious tactics,” such as turning off heat and hot water, exposing young children to lead dust, and making rent-stabilized buildings deliberately uninhabitable for current tenants.

Schneiderman’s legislation is sponsored by State Senator Liz Krueger and Assemblymember Joe Lentol.

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It is unbelievable that the current criminal penal codes do not include provisions for the crimes of harassment, assault, intimidation, uninhabitable apartments, that caused so much human agony and pain to his tenants over the past decades. Now only civil remedies are available. \$5 million is nothing, compared to the value of the equity he has amassed in his 140 buildings.

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