

BREAKING NEWS:

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Steve Croman pleads guilty, agrees to serve 1 year in Rikers

"I knew the documents were false," landlord says in court

By Rich Bockmann and Hiten Samtani | June 06, 2017 10:44AM



Steven Croman (photo illustration by Lexi Pilgrim)

UPDATED, June 6, 2:30 p.m.: Steve Croman, one of the biggest multifamily landlords in the city, pleaded guilty Tuesday to three felony charges of grand larceny, tax fraud and a third fraud charge stemming from filing a false instrument. If the judge accepts his plea agreement, Croman will serve one year at Rikers Island and pay a \$5 million settlement.

His sentencing is scheduled for September 19.

Appearing at the courthouse at 100 Centre Street Tuesday morning in a dark blue suit and blue tie, Croman read an allocution in front of state Supreme Court Justice Jill Konsiver admitting details of his scheme directing employees to file documents – including inflated rent rolls – that would allow him to secure bigger mortgages on his multifamily properties.

"I knew the documents were false," he said.

By pleading guilty, [Croman avoided a maximum sentence](#) of between 3.25 and 11 years. As part of his guilty plea, he will pay a \$5 million fine, \$3 million of which will have to be paid by sentencing in September. He is [one of the few New York City landlords](#) to receive jail time for his misdeeds.

[Croman](#) and his defense attorney Benjamin Brafman declined to comment as they left the courthouse. New York Attorney General Eric Schneiderman, who brought the charges against Croman, called the disgraced landlord "a fraudster and a criminal" who schemed to defraud his lenders, New York Community Bank and Capital One Bank.

"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," Schneiderman said in prepared remarks. "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."

Jaime Weisberg, an analyst at the Association for Neighborhood and Housing Development, said her coalition was concerned about landlords taking out bigger loans than a property's income could support.

"You have a huge incentive to increase the income of the building as fast as you can," Weisberg said. She has seen instances where the debt service coverage ratio on a property was below 1, which is "incredibly concerning." Ideally, the ratio should be closer to 1.2, she said, and banks should focus on making loans based on a building's current income, rather than loans based on speculative income or a tenant turnover strategy.

“The bank loan, if it’s set up a certain way, is going to be one of the driving forces behind the bad actor,” said Bradon Kielbasa of the Cooper Square Committee, which worked with a group of Croman’s tenants known as the Stop Croman Coalition.

The state’s Tenant Protection Unit – a unit of the Division of Homes and Community Renewal that oversees the rent regulation program – first began investigating Croman based on harassment complaints it received from his tenants, and later made a criminal referral to the AG’s office.



Schneiderman’s office still has a pending civil case against Croman [regarding allegations he harassed rent-regulated tenants](#) in order to try to force them out of their apartments. The AG’s office plans to appoint a receiver for each of Croman’s companies and also revoke his brokerage license.

Croman, who is the founder of [Croman Real Estate](#) and [9300 Realty](#), reportedly secured \$45 million in loans by inflating rental income in mortgage documents, took in [at least \\$63 million](#) in gross income from his Manhattan portfolio in 2014, according to an analysis by *The Real Deal* last year.

The landlord, who owns more than 140 buildings in Manhattan, many in the East Village, was accused by Schneiderman of harassing rent-stabilized tenants and utilizing strong-arm tactics to pressure them into accepting buyouts. Schneiderman called him the “Bernie Madoff of landlords.”

Kielbasa said Croman would never have been busted had tenants not got together and spoken out.

“Communities wouldn’t put up with Croman anymore,” he said. As the AG’s office looked into their claims, “they found the mortgage frauds.”

Michael McKee, treasurer of tenant advocacy group TenantsPAC, said Croman was “going to jail for the wrong reasons.”

“The tenant harassment thing is much more serious,” McKee added. “It’s also very hard to prove.”

Croman is also facing multiple civil lawsuits from tenants [and former employees](#).

In May, Schneiderman’s office [settled a tenant harassment lawsuit](#) with notorious Lower East Side landlord Samy Mahfar for \$225,000.

Croman’s behavior was “par for the course” among landlords, McKee said, and would continue unless the state and city worked together to repeal incentives to turn over rent-regulated tenants.

Vacancy decontrol is “an incredible incentive” for landlords to act unscrupulously, McKee said. “They’re thinking: ‘If I can just get this apartment vacant, I’ve got a gold mine.’”

(To view a list of properties owned by Steve Croman, [click here](#))

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