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Major New York landlord accused of forcing out tenants to convert units

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By Joseph Ax

NEW YORK (Reuters) - A major New York City landlord was accused on Monday of using harassment, intimidation and fraud to force rent-regulated tenants out of his buildings in order to convert their apartments to more profitable market-rate units.

Steven Croman, whose company owns more than 140 apartment buildings in Manhattan, was also criminally charged with falsifying mortgage documents to obtain more than \$45 million in loans.

The 49-year-old Croman pleaded not guilty at state Supreme Court in Manhattan on Monday to 20 felony counts including grand larceny and fraud.

Rent-regulated apartments, which limit the amount landlords can charge residents based on certain criteria, are a kind of Holy Grail in the city's high-priced real estate market.

In Manhattan, the median sales price for apartments hit \$1.15 million in 2015, according to real estate firms.

But the number of rent-regulated apartments has steadily declined, prompting Mayor Bill de Blasio to promote affordable housing as a major priority.

The criminal charges stem from false documents Croman submitted listing rent-regulated units as market-rate apartments and inflating his commercial rental rates to obtain better refinancing, according to the office of New York State Attorney General Eric Schneiderman.

Barry Swartz, Croman's mortgage broker, was also charged and pleaded not guilty on Monday.

A separate civil lawsuit filed by Schneiderman's office detailed a variety of illegal tactics Croman allegedly used to force out tenants occupying rent-regulated units.

Croman filed baseless lawsuits against residents to pressure them to move, the lawsuit said. In some cases, Croman's employees refused to acknowledge receipt of rent checks and then sued tenants for unpaid rent, the complaint alleges.

The lawsuit accuses Croman of hiring a former police officer to intimidate rent-regulated tenants.

In addition, Croman routinely engaged in shoddy construction practices, creating dangerous conditions, the lawsuit said.

On more than 20 occasions, health department investigators measured illegally high levels of lead dust in Croman's buildings, according to the lawsuit.

Croman also ignored hundreds of "hazardous" violations he was issued at many of his buildings, the lawsuit said.

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Croman's criminal defense lawyer, Benjamin Brafman, emphasized that the criminal charges "have nothing whatsoever to do with allegations relating to tenant harassment" contained in the civil lawsuit.

"The charges in this case are defensible," he said in a statement.

The attorney representing Croman in the civil case did not respond to a request for comment. A lawyer for Swartz declined to comment.

(Reporting by Joseph Ax; Editing by Alan Crosby)
