



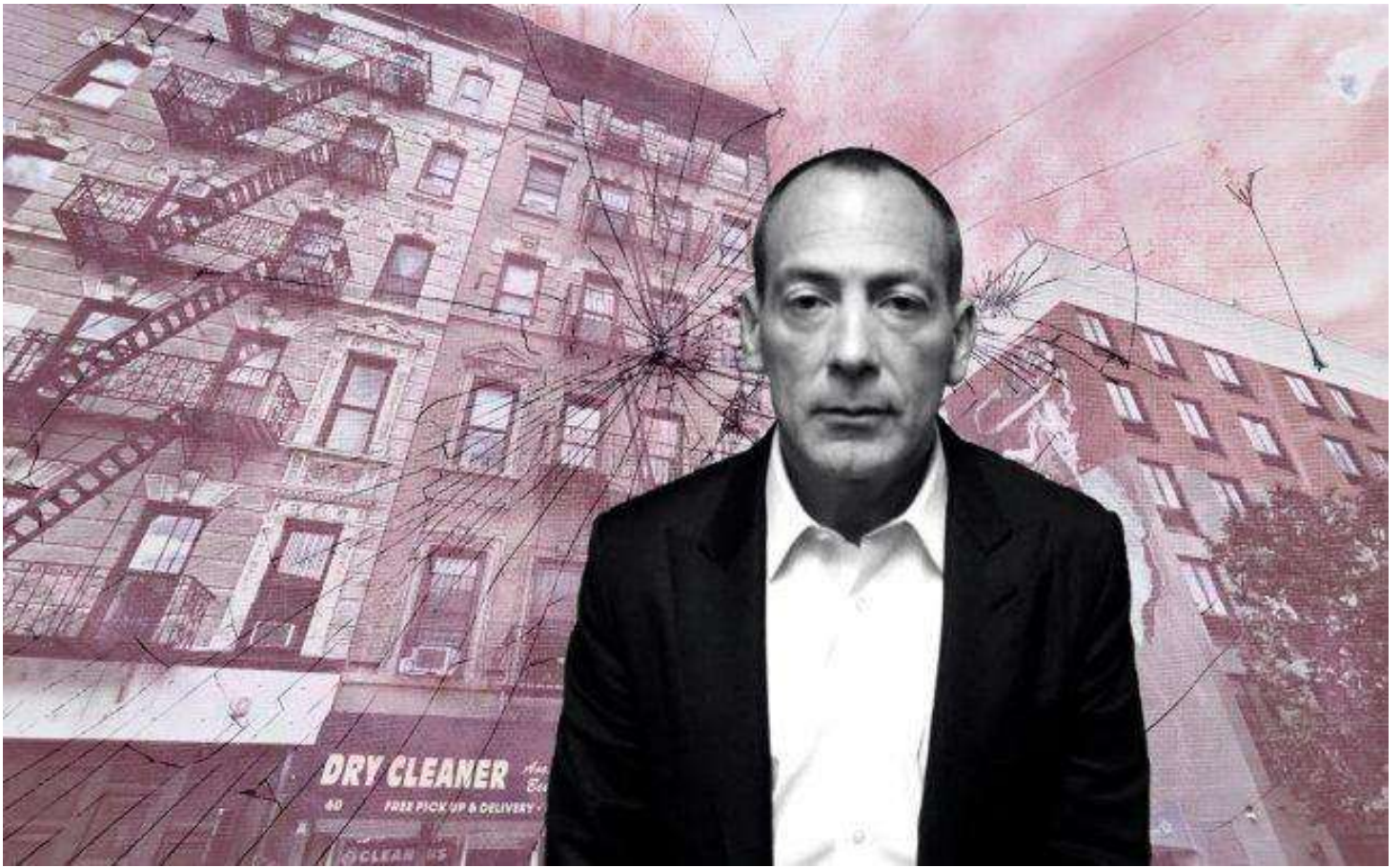
Inside Steve Croman's dealings and legal battles post-prison

The notorious landlord is back in action and hasn't changed his ways now that he's no longer behind bars, sources tell TRD

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By [Kathryn Brenzel](#) and [Eddie Small](#) Research by [Ashley McHugh-Chiappone](#)



Steve Croman and 60 Avenue B (Credit: Google Maps)

In May, three New York University students moved into the cellar of a pre-war East Village apartment building, excited to have a small — yet highly coveted — space outdoors. Little did they know, they'd soon be forced out.



60 Avenue B (Credit: Google Maps)

Two months later, the college students received notice that a new property manager was taking control of the six-story building at 60 Avenue B. Within a few weeks, the city declared the apartment illegal and ordered all tenants to vacate.

The building belongs to the controversial millionaire landlord Steve Croman, who was released from jail last year after being convicted of mortgage and tax fraud. The state had also filed a

civil case against Croman, accusing him of harassing tenants out of their apartments, which was settled in 2017.

Croman's [prison stint](#) was widely seen as a turning point in how New York pursues criminal and civil cases against alleged predatory landlords. Since his release, though, little seems to have changed for Croman. The landlord remains a regular presence at his properties, sources say, and is facing a fresh crop of lawsuits accusing him of violating New York rent laws and [backing out of deals](#), among other claims.

Through a spokesperson, Croman declined to comment for this story.

As part of a settlement with the state attorney general's office, he gave temporary control of more than 100 buildings to Michael Besen's [New York City Management](#) last year, and the firm took over the East Village property this past July.

But while Besen's firm was picked to oversee Croman's properties until 2023, it's far from a victory for tenants. In some cases, the properties are managed by former employees of Croman's 9300 Realty, who jumped over to NYC Management soon after the deal with prosecutors was announced.

"You have individuals who worked in a corrupt culture," said Sean Madden, the father of one of the NYU students. "All they did was trade their business cards ... but the business practices didn't change at all."

And while Croman was charged with defrauding banks, his company's biggest lender continues to work with him. New York Community Bank recently financed his \$13.7 million acquisition of the building that houses the historic [White Horse Tavern](#) and still lends on his other rental properties.

"Steve is kinetic. He absolutely loves what he does, and I don't think he knows any speed other than go, go, go." David Schechtman, Meridian Capital Group

Meridian Capital Group's David Schechtman, an investment sales broker who worked on the White Horse Tavern deal, said Croman has remained very active in New York real estate since his release from jail in June 2018.

"Steve is kinetic," Schechtman said. "He absolutely loves what he does, and I don't think he knows any speed other than go, go, go."

Life on the outside

In an Instagram post from July 6, Croman is seen laughing with his arms around developer [Ben Shaoul](#), alongside Icon Realty Management's [Terrence Lowenberg](#) and Aurora Capital's Jared Epstein.

In response to an email from *The Real Deal* about the photo, Epstein wrote that they all happened to be at a party celebrating Lowenberg's 40th birthday and that he doesn't know Croman personally.

Lowenberg and Shaoul — who, similar to Croman, have checkered pasts as New York City landlords — declined to comment on the photo. Others in the industry, who spoke on the condition of anonymity, said Croman has largely been welcomed back into his former real estate circles with open arms.

“I don't think anybody gives a shit,” a New York developer who knows Croman said about the landlord's stint in jail.

One real estate broker said people in the industry were not hesitant to deal with Croman despite his present and past legal troubles — they offer him deals like any other buyer, and some believe he was just a scapegoat for politicians eager to score a big win against a landlord. And that was before the state passed its stringent new rent laws, which have led to even [more scrutiny](#) against landlords.

“With the present rent laws changing, I can tell you this: Everybody should be sympathetic to guys like Steve Croman,” the broker said. “These rent laws have destroyed everything, so we know Albany is the one to blame.”

But in many ways, Croman's life post-prison remains a test case for what happens to landlords accused of wrongdoing.

“We are diligently implementing our settlement agreement with the state Attorney General in line with our focus on using best practices to provide quality housing for our residents.” Spokesperson, 9300 Realty

In a December 2017 press release — roughly a year after calling Croman the “Bernie Madoff of landlords” — Eric Schneiderman trumpeted what seemed like a huge win for tenants. His office

had reached an agreement to settle a civil lawsuit against Croman that accused him of harassing tenants out of their rent-regulated apartments.

Schneiderman, who later ran into troubles of his own and resigned in the face of multiple [allegations of physical abuse](#), said that an independent monitor would provide regular reports on the landlord's compliance, while a "management company with no ties to Croman" would take over the landlord's properties.

Croman also agreed to [compensate his tenants](#) \$8 million in total, with \$6 million of that paid by December 2019 and the full sum by the end of next year, according to the consent decree. So far, he has paid \$4 million, the AG's office confirmed to *TRD*.

What the 2017 release doesn't mention, however, is that Croman still has considerable agency within the confines of the agreement. He handpicked the independent monitor, Andrew Pucher, a retired property manager for the Walt Disney Company who had also worked as a special agent with the U.S. Drug Enforcement Administration for more than a decade.

And though authorities approved NYC Management as a company without ties to Croman, the settlement allows the management firm to hire employees from 9300 Realty. Croman — who recommended Besen's firm after the state denied two other firms he proposed — simply isn't permitted to have a role in their hiring or firing.

"We are diligently implementing our settlement agreement with the state Attorney General in line with our focus on using best practices to provide quality housing for our residents," Sam Spokony, a spokesperson for 9300 Realty, said in a statement.

According to a *TRD* analysis of city records, Croman's Manhattan properties raked in an estimated \$47.5 million in 2018.

The landlord also continues to visit his buildings, giving orders to supers and porters, essentially ignoring the state's five-year ban on managing his properties, said Cynthia Chaffee, a founder of the Stop Croman Coalition who lives in one of his buildings on East 18th Street.

A spokesperson for New York AG Letitia James told *TRD* that Croman is allowed to visit the properties but should have "minimal, if any, contact with tenants."

But Chaffee said tenants have already started meeting with James' office about the time he spends at his buildings.

“We’ve been stuck with the same property managers and supers that worked for Croman, and then they were hired by NYC Management,” Chaffee said. “We have to deal with these abusive people all the time.”

Padded partnerships

Though technically appointed by the state, NYC Management still treats Croman as they would any other client, according to the company.

After canceling a meeting with *TRD* this August and declining to reschedule, representatives for the firm said Croman and his PR team must approve anything they say publicly about his portfolio.

NYC Management’s parent company recently rebranded as Besen Partners and is now run by nine stakeholders, following an [ugly split](#) between Michael Besen and his longtime business partner Amit Doshi. Besen filed a lawsuit against Doshi in June 2018, alleging he siphoned nearly \$1.5 million in company money for personal investments.

Doshi, who is now at Meridian Capital, declined to comment for this story.

At the time of the rebranding, Besen Partners put out a press release that touted NYC Management being tapped to oversee the Croman portfolio as “a testament to the strength of the firm’s capabilities.”

But the company has had its own issues with tenants apart from handling Croman’s properties.

Residents at 336 West 17th Street, which is owned and managed by Besen Partners, launched a rent strike in July, accusing the company of using construction work as harassment. Tenants complain that they’ve been plagued by lead-contaminated construction dust for months, due to ongoing gut renovations at the building.

John Catalic, whose company Just Renovations & GC is the registered contractor for the property, works at NYC Management and was recently promoted to spearhead operations for the firm’s portfolio — including Croman’s properties.

Catalic could not be reached, and Besen’s executives declined to comment about their own buildings.

Craig Martin-Roseberry, a member of the tenant association at 336 West 17th Street, said the building used to have an on-site super who was forced to leave when Besen bought the property in 2016. Conditions at the building declined from there, he noted.

“Everything started out fine, and then it quickly deteriorated,” Martin-Roseberry said.

“Unlike other companies that go out of their way to harass tenants, they exist in a gray area,” he added about NYC Management. “It’s harassment, but it’s not aggressive. It’s sneaky and underhanded.”

Business as usual

It’s unclear how many employees from 9300 Realty moved over to Besen’s firm, but *TRD* confirmed at least three who work as site managers at Croman’s properties.

One of them, Jeffrey Magno, previously managed properties in the Lower East Side for 9300 Realty and began working for NYC Management a month after Croman was released from prison, according to testimony from a 2016 housing complaint. At the time, tenants of 159-161 Stanton Avenue accused Croman and Magno of using construction as part of a “deliberate campaign of harassment” to drive them out of their rent-stabilized apartments.

Magno also took over management of the Avenue B rental building this past July and, according to Madden, sent an unlicensed contractor to fix a severe mold problem in his daughter’s basement apartment. Madden alleged that Magno then told him the mold had been eliminated, though the contractor had simply painted over the affected areas.

Magno did not return multiple calls and emails seeking comment.

The city’s Housing Preservation and Development department issued its vacate order for the cellar apartment on July 24, due to the fact that it was being illegally rented as a three-bedroom apartment when it’s technically a one-bedroom unit. The vacate order also cites inadequate light and ventilation.

NYCB commercial real estate lender Christopher Beck told *TRD* that his bank notified Croman this summer that the illegal apartment represents a non-monetary default on his mortgage and that he has a 30-day period to fix the issue. Representatives from the bank declined to comment further.

“We live in this new social media era where people get into trouble, and they are supposed to be canceled or never exist again,” said real estate attorney Joshua Stein. “The fact that somebody got into trouble doesn’t mean they are permanently ostracized from business or borrowing.”

Stein added that since the bank still does business with Croman, “whatever he did might not be as egregious as it sounds.”

Croman's involvement in the White Horse Tavern purchase has been his only real estate deal to make headlines since his release from prison. He and the other buyers will likely make cosmetic changes to the restaurant and leave the apartments above alone, especially given the state's new rent laws, according to sources familiar with the deal.

Croman's New York real estate peers had differing perspectives on how active the landlord has been over the past 16 months. Some say he's keeping a low profile and trying to spend more time with his family, while others say he's barreling full steam ahead with his property investments.

"He's ferocious. Nothing has changed," said one broker who has worked with Croman on deals. "He's buying [properties] left and right, and it's not like he's using a shell or a fake name. His name is right on the contract. This guy isn't afraid of anything."

New court cases

Something else that hasn't changed post-jail for Croman is his legal battles with tenants.

The landlord is facing multiple lawsuits, including one from a tenant on Mott Street named David Kreitman, who claims he was illegally offered a market-rate lease instead of a rent-regulated one. Kreitman is asking for more than \$500,000 in damages.

"I think there's a lot of fight left in them and they aren't going to go quietly into the night." Roger Sachar, Newman Ferrara

And in March, tenant Lauren Carlstrom, who lived in a Croman building on East 11th Street, sued his firm for \$1 million over water damage and mold issues that made her apartment "completely and totally uninhabitable," according to her complaint.

Croman is also in the middle of two lawsuits that accuse him of illegally deregulating apartments. One is a [class-action lawsuit](#) from more than 100 current and former tenants in his building at 326-340 East 100th Street in Harlem, and the other was [recently filed](#) by tenants at 560-566 Hudson Street in Greenwich Village.

Stu Davidson-Tribbs, a tenant who's lived at the East 100th Street property for more than four years and is part of the class-action suit, said that apart from a recent ceiling leak, the building has been kept in good shape since he moved in.

Davidson-Tribbs stressed that the suit was solely focused on rent law violations. He added that he coincidentally met Croman at the building last summer and the landlord was “cordial,” though their interaction was minimal.

Housing Rights Initiative brought both suits against Croman, and New York attorneys Lucas Ferrara and Roger Sachar are representing the tenants in both cases.

The East 100th Street suit accuses Croman of illegally removing roughly 70 percent of the building’s 92 units from New York’s rent regulation program while continuing to collect tax benefits. HRI estimates he could owe hundreds of thousands of dollars in rent refunds if found guilty.

“Croman is incorrigible, and it’s become readily apparent that his time in the clink has done him little good,” Ferrara said.

He called Croman’s jail sentence “pretty light” and argued it would be more appropriate to bar him from owning residential real estate for investment purposes.

But Sachar pegged Croman as someone who fights tooth and nail and said he’s not expecting the latest class-action case to wrap quickly.

“I think there’s a lot of fight left in them,” he said of Croman and his associates, “and they aren’t going to go quietly into the night.”

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