

A&E-led partnership settles with AG over deregulation scheme

Developers accused of making illegal payouts to rent-stabilized tenants in UWS condo conversion

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By [Rich Bockmann](#)

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From left: John Arrillaga Jr, Douglas Eisenberg and Eric Schneiderman with 165 West 91st Street on the Upper West Side

A partnership led by A&E Real Estate Holdings, one of the city's busiest multifamily buyers, agreed to pay \$540,000 in a settlement with the New York state Attorney General's office, which uncovered a pair of illegal tenant buyouts at the firm's Upper West Side condominium conversion.

An ownership entity affiliated with [Doug Eisenberg](#) and [John Arrillaga Jr.](#)'s Midtown-based investment firm and partners paid illegal buyouts to two rent-controlled tenants at the 96-unit prewar building it is converting along with partner AllianceBernstein at 165 West 91st Street, according to the AG's office.

"With many struggling to find affordable housing, my office will not tolerate real estate developers who circumvent laws designed to protect rent-stabilized units," said Attorney General Eric Schneiderman, who last month charged landlord [Steven Croman](#) with using shady tactics to coerce his rent-regulated tenants to accept buyouts.

A spokesperson for the sponsors wrote in an e-mail, "We're pleased to have reached an agreement on this matter and that the outcome will support affordable housing in New York City."

A&E bought the 15-story, 170,000 square-foot rental building, dubbed the Mirabeau, back in 2012 for \$69.9 million, and the next year filed a conversion plan with a sellout price that now sits at \$278 million. Over the past five years, A&E has amassed a \$2 billion, 10,000-unit multifamily portfolio.

At the time of the filing, 57 apartments were rent-stabilized or rent-controlled units, with 49 units at market rate.

But during the “red herring” phase of the conversion, or the time in between when the plan is filed and when it is accepted, two rent-regulated tenants came forward and approached the sponsor about getting bought out of their apartments. Buyouts at this point of the process are illegal under the state’s Martin Act, which protects renters from being evicted from their apartments during conversions.

According to the AG’s office, the sponsor filed a pair of non-bonafide non-payment proceedings against the two tenants for \$1,678.13 and \$1,708.77, respectively, in December 2012.

Under the guise of a settlement, the developer paid the tenants \$200,000 and \$155,000, respectively – payments the AG’s office found to be clandestine tenant buyouts.

Per the terms of the settlement with the AG, the sponsor will compensate the city for the loss of the two rent-controlled apartments by paying \$490,000 into a fund set up in 2014 to funnel payment penalties in rent-stabilization cases to help pay for affordable housing in the city.

The development partners will also pay the state \$50,000.

Landlords’ tenant-buyout practices have been drawing increased scrutiny lately. Landlord attorney [Michelle Maratto Itkowitz](#) drew the ire of tenant advocates after she gave a lecture at TerraCRG’s “Only Brooklyn” real estate summit last week. She told the audience that demolition eviction was a landlord’s best option for “de-tenanting” rent stabilized properties, but indicated that following through with such demolition and new construction plans after eviction was not necessarily required.

Tags: [a&e](#), [Alliance Bernstein](#), [eric schneiderman](#)