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Regular on New York's 'Worst Landlords' Lists Is Charged

By KIM BARKER and JESSICA SILVER-GREENBERG MAY 9, 2016

For decades, Steven Croman was a successful landlord in New York City. His companies bought up more than 140 Manhattan apartment buildings, often filled with rent-regulated tenants. And then, methodically, he pushed them to leave, buying them out of their leases for relatively modest sums or, if that did not work, harassing them until they left, tenants said. He was a regular on “worst landlords” lists. His tenants even started a website against him.

Mr. Croman’s business came to embody in many ways how rent regulations have eroded in the city, putting housing out of reach for more and more people. He was able to deregulate most of his rent-stabilized apartments within just a few years of buying the buildings, enabling him to collect much higher rents.

On Monday, though, his fortunes took a different turn. Mr. Croman, 49, turned himself in to the authorities around 7 a.m. in Lower Manhattan. He was charged with 20 felonies, including grand larceny, criminal tax fraud, falsifying business records and a scheme to defraud, relating to accusations he inflated his rental income to secure more than \$45 million in bank loans. He faces up to 25 years in prison. His mortgage broker, Barry Swartz, 53, was charged with 15 felonies.

The New York State attorney general’s office, which investigated Mr. Croman for almost two years, also filed a lawsuit against Mr. Croman on Monday, seeking to force him to give up his real estate business and pay millions of dollars in restitution to tenants and penalties.

The spiraling cost of housing in the city and the shrinking stock of rent-regulated apartments have increasingly become a focus of city and state officials. Mayor Bill de Blasio, a Democrat, has made affordable housing a cornerstone of his administration, announcing in 2014 plans to build or preserve 200,000 units over 10 years.

The de Blasio administration and the office of Attorney General Eric T. Schneiderman, a Democrat, set up a joint task force last year to go after property owners who harass tenants in rent-stabilized and rent-controlled apartments, one of the few ways that people with low incomes can afford to live in the city. A Brooklyn landlord was arrested last summer as part of the campaign, but he owned only one building.

Mr. Croman's business, built over 25 years and with properties stretching from the Lower East Side to the Upper West Side of Manhattan, is on another level. He is the highest-profile landlord in recent years to face such serious accusations in the city.

Mr. Schneiderman called him the "Bernie Madoff of landlords" at a news conference on Monday. The criminal charges, he said, should "send a powerful message" to landlords who "see rent-regulated apartments as gold mines." Gov. Andrew M. Cuomo's tenant protection unit, after its own investigation, made a criminal referral to Mr. Schneiderman's office.

In its lawsuit, the attorney general's office accused Mr. Croman of harassing and coercing "countless working-class and low-income families out of their longtime homes." Mr. Croman then turned those vacant rent-regulated apartments into lucrative market-rate units, often with shoddy and illegal construction that violated lead-safety laws and endangered tenants who remained in the buildings, court documents said.

For Robin Tzannes, who has lived in a Croman building on East Sixth Street in Manhattan for more than four decades, each day brought new horrors: no hot water, no cooking gas, and dust from construction that burned her throat and eyes. "It's simply harassment," she said in an interview on Monday.

The attorney general's suit also included Mr. Croman's director of security, Anthony Falconite, a former New York City police officer accused of abusing his former position, and said he intimidated tenants into giving up their apartments.

Mr. Croman is accused of using various methods to force out rent-controlled tenants. His employees referred to tenants as “targets” and competed to push out the most, the lawsuit said. A property manager who persuaded a tenant to take a buyout was said to have earned a bonus of up to \$10,000.

Mr. Croman would walk through his office chanting, “buyouts, buyouts,” court documents said. At one point, Mr. Falconite told a property manager through a text message that obtaining buyouts was a “team sport.” The lawsuit said the property manager, Christine Bermudez, then responded: “I know that!! Who’s our next target? We have to start lining them up!!!”

If tenants did not leave voluntarily, the suit said, Mr. Croman had other tactics. He turned their buildings into hazardous construction sites, avoided making repairs and failed to maintain services such as heat, electricity and hot water. His companies also repeatedly filed baseless lawsuits against tenants. In internal emails, company employees acknowledged that such suits would “aggravate” tenants or pressure them to accept buyouts, the attorney general’s lawsuit said.

In some cases, Mr. Croman’s employees would not acknowledge receiving tenants’ rent checks, and then his companies sued the tenants for unpaid rent.

Cynthia Chaffee, who has lived in a Croman building on East 18th Street in Manhattan for 38 years, knows firsthand how such tactics can erode tenants’ resolve. Mr. Croman took her to Housing Court 11 times, she said, even though she was not behind on the rent. Another tenant, Nelida Godfrey, said she racked up \$240,000 in legal fees.

In all this, Mr. Croman had one person he relied on more than any other: Mr. Falconite, whom he described as his “secret weapon.”

The attorney general’s office accused Mr. Falconite of lying to get into tenants’ apartments, of posing as a repairman, a building manager, a U.P.S. deliveryman, an inspector. He would do “building sweeps,” knocking on the door of every rent-regulated unit in a building.

Once inside, Mr. Falconite would accuse tenants of illegally occupying the units, demand their identification and take their photographs without permission, the lawsuit said. Then he would stalk them, it said, confronting them

at work and even following them out of state. The goal: to intimidate them into leaving.

Sylvana Jakich, who lives on Ridge Street in Manhattan, recoiled when asked about Mr. Falconite, who she said pushed out half of the tenants in her building. At one point, she recalled, he threatened to get his friends “from the Police Department to handcuff” her for peeking into a vacant apartment.

Once he pushed a tenant out of a rent-regulated unit, Mr. Croman turned his attention to redoing the apartment to justify increasing the rent to market rate.

But the attorney general’s office said it found many examples of illegal construction in Mr. Croman’s buildings. His companies did construction without obtaining the proper permits at least 175 times, the lawsuit said. He also regularly told his employees to ignore orders to stop working from inspectors with the city’s Buildings Department.

The city’s Department of Health and Mental Hygiene found impermissibly elevated levels of lead dust in Mr. Croman’s buildings more than 20 times, including levels over 65 times the legal threshold, according to the attorney general’s office.

Even after the health department ordered Mr. Croman to fix the lead hazards, he did not, the lawsuit said.

Mr. Croman and his mortgage broker, Mr. Swartz, pleaded not guilty to the criminal charges on Monday in State Supreme Court in Manhattan.

Outside the courtroom, Benjamin Brafman, Mr. Croman’s lawyer, emphasized that the criminal allegations were entirely separate from the claims of tenant harassment.

“The charges in this case are defensible,” Mr. Brafman said.

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