

NY Senator Wants To Make It Illegal For Powerful Interests To Hide Behind LLCs

by [Emma Whitford](#) in [News](#) on [Sep. 26, 2017 2:35 pm](#)



(via [Flickr user Strykapose](#))

The proliferation of limited liability companies, or LLCs, in New York real estate has allowed foreign investors to [park millions of dollars in vacant Midtown high-rises](#). It also lets landlords conceal affiliation with debt, mismanagement or tenant abuse at their various properties. And a [loophole in state campaign finance law](#) permits individuals to anonymously shovel campaign donations.

Under legislation announced Monday by Democratic State Senator Brad Hoylman, property owners would be required to list their names and addresses alongside any affiliated LLC. The New York Department of State would be required to create a public database of LLCs and their owners, and "false, fraudulent, incomplete, or outdated" ownership information would be punishable with up to three years in prison.

The goal of the legislation, Hoylman said Monday, is to pull back shrouds of secrecy that notorious property owners, from [Steve Croman](#) to [President Donald J. Trump](#), have taken advantage of. And, on the campaign finance front, for New Yorkers to "know exactly who is pulling the levers in Albany, and City Hall for that matter."

LLCs were first used in the United States in the late 1970s [according to the NY Times](#), when oil and gas traders in Wyoming used them to protect owners from liability when a worker was injured. They're now ubiquitous in real estate, as the paper documented the secretive shell companies that shield the names of powerful property owners in the Time Warner Center next to [Billionaire's Row in Manhattan](#).

"This bill gets at the problem that has been shown in various news articles of foreign money being laundered through real estate holdings in New York City where the apartments are vacant," said Susan Lerner, director of Common Cause New York.

"The LLC format here, unlike the situation in other countries, allows people who are taking money from Angola to buy a vacant multi-million dollar apartment on Fifth Avenue and take the benefit of the money we pay in taxes without contributing to our society. Trying to figure out who is the beneficial owner of the LLC is torturous."

According to Legal Aid Society Attorney Ellen Davidson, who represents tenants in multifamily apartments across the city, "almost all buildings in New York City are owned by LLCs."

"It is almost impossible to determine, 'What are the 20 buildings that this company may own?'" Davidson said. "And it's very rare that you see bad behavior on behalf of a landlord only in one building. So when you are trying to find out if other tenants are being harassed or defrauded by the same landlord... there is no expedient way."

Barry Hers, a [notorious landlord and homeless shelter operator](#), is a prime example. The Legal Aid Society is representing tenants and shelter residents across seven of his buildings, including [60 Clarkson Avenue in Prospect Lefferts Gardens](#) where tenants are suing for alleged rent overcharges in apartments plagued with leaks, vermin and spotty utility service.

"All of those buildings were owned by LLCs," Davidson said. "And we were able to... contact the tenants after a lot of work digging into the deeds and addresses. It took some time. And frankly, I'm a lawyer, right? So if a tenant in that building wanted to figure it out, it'd be very difficult."

Hoylman admitted Monday that Albany has not historically been friendly to LLC reform legislation.

"The real estate lobby is incredibly influential in Albany, but that's something we are trying to break with ethics reform," he said.

The New York State Board of Elections ruled in 1996 that LLCs can be treated as "[separate and distinct individuals](#)," and contribute up to \$60,800 per candidate in a statewide election or \$150,000 maximum. And while Governor Andrew Cuomo ran on a platform of election finance reform, [ProPublica found him to be](#) the single largest beneficiary of the LLC loophole in 2014, with \$6.2 million in contributions over three-and-a-half years. [As recently as this April](#), Cuomo introduced ethics reforms, including closing the LLC loophole, in his draft budget. These efforts failed, lacking support in the State Senate.

"This is all part of the same project to reform Albany from the bottom up," Hoylman said. "It will be building a coalition of supporters, hopefully educating my colleagues to cosponsor, and enlisting the advocacy of good government groups."

Neither a spokesperson for the Independent Democratic Conference, [which has a power-sharing agreement with Senate Republicans](#), nor a spokesperson for Governor Cuomo, would speak on the record about Hoylman's bill.

A spokesperson for Republican Senate Majority Leader John Flanagan said he was not aware of the legislation, but would review the press release. He did not respond to a follow-up.

Blair Horner, executive director of the nonprofit New York Public Interest Research Group, cautioned that while Hoylman's legislation is still in its gestation period—it likely won't be introduced until January—Cuomo's track record on LLCs isn't inspiring.

"This is a governor where when he wants to do something you can tell," Horner said. "He's driving his motorcade around the state to pass the \$15 minimum wage and [in his windbreaker down in the Caribbean dealing with catastrophes](#). And when it comes to the issues of ethics broadly defined, while he's advanced legislation, we've never seen him put his clout behind it. And he's the King Kong of New York politics. So if he wants to get something, there's no denying him."

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NoodleShak • a day ago

It helps curb corruption so itll never pass but at least someone is trying.

8 ^ | v • Reply • Share >



AndreaBMann → NoodleShak • 12 hours ago

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Riley 1066 • a day ago

Just ban LLCs entirely.

^ | v • Reply • Share >



Detex → Riley 1066 • a day ago

ah, not the best idea actually.

2 ^ | v • Reply • Share >



enraged_draintap → Riley 1066 • a day ago

No,

I repair computers under a LLC. If i break someone's computer while fixing it, they can only sue me up to the amount of the value of my company. Otherwise they could sue me for my entire personal worth. LLC's are very important for small businesses .

28 ^ | v • Reply • Share >



SpideySense → Riley 1066 • a day ago

That's going too far the other way. LLC's can serve a positive purpose so long as they are transparent and not abused.

6 ^ | v • Reply • Share >



Nalano635 → Riley 1066 • a day ago

LLCs promote entrepreneurship in small businesses because it means if your business fails, you don't go broke and homeless with it. It's shell games like this instance that needs to be curtailed, not LLCs in general.

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jay → Riley 1066 • a day ago

Not a good idea

^ | v • Reply • Share >



AJ • a day ago

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1 ^ | v • Reply • Share >



Detex → AJ • a day ago

how is that related?

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AJ → Detex • a day ago

It's a whole dissection of the issues that I had with a landlord who hid behind an LLC. I didn't feel like writing out the whole thing, but I have discussed this on Gothamist before.

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Detex → AJ • a day ago

ok. BTW, that does look like it sucked.

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Brad Hoylman, watch your back... you're potentially making a lot of powerful enemies...

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Scott Rubin • a day ago

This is relevant to my interests. I have no idea who my landlord is. It's just "Address of building LLC"

4 ^ | v • Reply • Share ›



Nalano635 → Scott Rubin • a day ago

You mean "PO Box of LLC in completely different city"

4 ^ | v • Reply • Share ›



Detex → Scott Rubin • a day ago

On a personal level what does it matter if you know the owners name or just the name of the management company?

1 ^ | v • Reply • Share ›



Guy_Igconito → Detex • a day ago

RTFA dude.

^ | v • Reply • Share ›



Detex → Guy_Igconito • a day ago

Dude, I am not sure it really makes a difference in this case. Most of the people this effects don't rent out their apartments. They are places to park apartments.

2 ^ | v • Reply • Share ›



Lei-Zee → Detex • a day ago

For the property-parkers, we can name and shame them. For the landlords, you can actually find out who you are signing your life over to on your lease.

4 ^ | v • Reply • Share ›



Detex → Lei-Zee • a day ago

wow, you make that sound very dramatic. If you are renting from a company here in the city you can "name and shame" to your hears content. Fuck, most of them have offices in the city, go picket out front. My point stands, what does it matter if Scott here knows his landlord by name or just the company he owns?

1 ^ | v • Reply • Share ›



Lei-Zee → Detex • a day ago

The "name-and-shame" comment was a response to you saying they are not apartments that are rented, just owned, and referred to the oligarchs who buy apartments here to park money and are helping drive up rent and vacancies.

The second part of my comment was about the landlord. It can be extremely difficult to find information about the owner of a building that you are considering renting from, and it can be a big risk as a tenant. Being able to do a basic internet search on the

landlord's name instead of "500 Fake St LLC" can be helpful. Maybe there is a Gothamist article about them!

3 ^ | v • Reply • Share ›



BubbaJoe123 → Lei-Zee • a day ago

— | 🚩

The idea that parked apartments are driving up rents just doesn't hold water. Only something like 2% of apartments in Manhattan (and a much smaller % in the rest of the city) aren't primary residences, and that includes pied a terres.

The bigger issue is money laundering, and I certainly support requiring all LLCs that own property in NYC to disclose who the natural person who owns the LLC is.

4 ^ | v • Reply • Share ›



Lei-Zee → BubbaJoe123 • a day ago

— | 🚩

I said "helping" drive up rents, but yes I agree with your statement. Money laundering is definitely the bigger issue and I am sure we'd uncover a lot of interesting things with all this information.

^ | v • Reply • Share ›



BubbaJoe123 → Lei-Zee • a day ago

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Real estate broker I know said (referring to some of the new supertalls) "I've sold a lot of apartments WITH washing machines, but these apartments ARE washing machines."

6 ^ | v • Reply • Share ›



SpideySense → BubbaJoe123 • 10 hours ago

— | 🚩

Well put.



^ | v • Reply • Share ›



mansteam → BubbaJoe123 • a day ago

— | 🚩

2% is a lot of units in Manhattan. It could be more. I read in the NYT a few years ago that 30% of apartments between 42 and CP south were pied a terres.

European cities are moving on pied a terre taxes. Imagine how a tax could help pay for our broken subway. It helps recoup some of the loses of having a living spending taxpaying, human being live there.

3 ^ | v • Reply • Share ›



BubbaJoe123 → mansteam • a day ago

— | 🚩

Counterargument, apartment with no residents require no schools, limited health services, limited police, etc. etc.

That said, I'd favor a sharp increase in the property tax that was available as a refundable credit on a NYC income tax return. So, for NYC residents, no change, but higher taxes for those who don't live here

don't live here.

2 ^ | v • Reply • Share >



mansteam → BubbaJoe123 • 10 hours ago

— | 🚩

No serious urban planner, economist or government representative would ever suggest a city is more financially viable with no people living in it--notwithstanding your argument about schools and health care. If you can point me toward one, I will happily investigate.

It also begs the question "what kind of city do we want to live in?" I disagree with your point, but I also suggest that everything is not a transaction. Bloomberg treated NYC like a business, all of us customers. Trump is treating the country like a business. I realize the era we are in now, but might I suggest everything isn't about money?

"Happy City" by Charles Montgomery makes this point elegantly.

^ | v • Reply • Share >



BubbaJoe123 → mansteam • 9 hours ago

— | 🚩

No people? Of course not, but that's not what I was arguing. On the margin, having the incremental apartment unoccupied does carry lower costs.

^ | v • Reply • Share >



mansteam → BubbaJoe123 • 9 hours ago

— | 🚩

How much does the New Yorker who makes say \$250,000+ a year and continuously lives in a midtown condo contribute vs deduct from the tax base? You believe they are somehow drains on the tax base? The pied a terres aren't rent stabilized apartments. They are luxury apartments and condos.

I firmly believe people inhabiting luxury apartments in Manhattan serves the tax base much better, but am open to reading serious arguments to the contrary.

^ | v • Reply • Share >



BubbaJoe123 → mansteam • 7 hours ago

— | 🚩

Key issue is whether, in the absence of a pied a terre, enrollment in the city schools would rise. Costs something like \$20k/kid in the NYC schools. City covers (as I recall) around 2/3 of that. Given city tax rates, unless you're making around \$350k/kid (or will send them to private schools), the city is theoretically better off with you not living in NYC.

^ | v • Reply • Share >



mansteam → BubbaJoe123 • 5 hours ago

— | 🚩

I get your point. Schools are expensive.

These luxury folks don't have kids and if they did they certainly wouldn't be going to public schools.

Your argument holds true in low income neighborhoods. In fact, Bloomberg knew this VERY WELL.

^ | v • Reply • Share >



mansteam → Lei-Zee • a day ago

— | 🚩

agree and this... <https://www.facebook.com/pe...>

1 ^ | v • Reply • Share >



jay → Detex • a day ago

— | 🚩

To find patterns.

^ | v • Reply • Share >



ben → Detex • a day ago



It is important because you can identify abusive landlords BEFORE you sign the lease, also equally important is it is harder to hide from your tenants and screen their calls when they know your name and not just the llc/number provided in the lease

^ | v • Reply • Share >



Guy_Igconito → Detex • a day ago



Since you didn't RTFA, lets do it for you.

Barry Hers, a notorious landlord and homeless shelter operator, is a prime example. The Legal Aid Society is representing tenants and shelter residents across seven of his buildings, including 60 Clarkson Avenue in Prospect Lefferts Gardens where tenants are suing for alleged rent overcharges in apartments plagued with leaks, vermin and spotty utility service.

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2 ^ | v • Reply • Share >



newsriffs → Detex • 19 hours ago



I once won a judgement against a landlord and the landlord was an LLC. Before I could collect any money, they changed their name, so that the entity that owed me money no longer existed. I imagine a lawyer might have straightened it out, but it would have cost more the judgement was worth.

^ | v • Reply • Share >



KibaEsq → newsriffs • 7 hours ago



This is exactly what they do. When I was a law student I did probono work for housing disputes against the terrible landlords in Brooklyn and they would use this to get out of judgments, legal proceedings, building compliance, etc. They just kept changing names, running out clocks that tenants can't afford to keep running. I remember one POS literally blew out the windows and turned off the heat in winter so he could get rid of his rent stabilized tenants. It was terrible. There were little kids involved too.

^ | v • Reply • Share >



larry → Detex • 11 hours ago



You can picket their house

^ | v • Reply • Share >



Lei-Zee • a day ago



This sounds unequivocally good. What do we think, any chance at all that it gets enacted?

3 ^ | v • Reply • Share >



Walter Sobchak, Esq. → Lei-Zee • a day ago



Odds are about as good as the Knicks winning it all next year.

4 ^ | v • Reply • Share >



SpideySense → Walter Sobchak, Esq. • a day ago



That good, huh?

^ | v • Reply • Share >



Walter Sobchak, Esq. → SpideySense • a day ago

I mean, no...Hoylman would dream of 150/1 odds on this.

1 ^ | v • Reply • Share ›



jay → Walter Sobchak, Esq. • a day ago

so you're saying he's got a chance...

2 ^ | v • Reply • Share ›



Nalano635 • a day ago

yesplzkthx

^ | v • Reply • Share ›



87ytens • a day ago

lol good luck

^ | v • Reply • Share ›



SpideySense • a day ago

I've been saying this for at least 15 years. But what are the chances such a law can get passed in a city that is overrun by real estate investment interests?

2 ^ | v • Reply • Share ›



Detex → SpideySense • a day ago

It is legalized money laundering, there is no way they will put an end to it.

4 ^ | v • Reply • Share ›



mansteam → SpideySense • a day ago

Because embarrassingly unpopular Trump is president and he is the standard bearer of that industry.

1 ^ | v • Reply • Share ›



Jamie → mansteam • 9 hours ago

He's quite popular among people who only are familiar with the character he plays on his reality TV show. He tends to be much less popular with those of us around here who have actually seen him in action over the years. And extremely unpopular among his former business partners, financial backers, contractors, and tenants.

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