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Stabilizing NYC Coalition Releases Report, “Banking on Gentrification”



Croman resident and LES organizer Cynthia Chaffee speaks at Stabilizing NYC’s press conference at City Hall. Photo: Alex Gerald

Tenants, elected officials and community organizers released a report yesterday intended to highlight the banking industry’s role in New York City’s housing crisis.

Stabilizing NYC, a coalition primarily made up of grassroots neighborhood-based organizations including local groups such as CAAAV: Organizing Asian Communities, Cooper Square Committee and Good Old Lower East Side (GOLES) released the report, “Banking on Gentrification.” It asserts that some private equity companies and landlords are using a wide range of tactics, many of them illegal, to remove rent-stabilized tenants. The groups argue that banks may be complicit in the process.

“The Predatory Equity ownership practice uses investment money in the form of private equity to purchase large swaths of affordable housing, with the goal of pushing out existing rent stabilized tenants and to bring in new tenants with higher incomes and higher rents,” says the report, which also poses the question: “What responsibility should financial institutions have for playing a role in the harassment of tenants and the loss of affordable housing?”

The report highlights landlord Steve Croman, who owns many Lower East Side buildings and was recently charged with 20 felony counts related to his alleged predatory business practices and tenant harassment activities.

According to Department of Finance data used in the report, one of Croman’s properties – 529 E. 6th St. – has a gross annual income of \$249,928 and costs \$182,027 per year to operate, leaving \$67,901 available for debt service. A feasibility analyses featured in the report puts the maximum feasible loan amount (assuming a 30 year term and 4.5% rate) at \$1,116,756. The current debt on the building is \$3,325,000, nearly triple what the building can realistically support. This is the type of predatory financing that drives tenant harassment, according to the report.

Cynthia Chaffee, a Croman resident and Lower East Side community organizer, spoke at the press conference. “To end the scourge of predatory landlords, the banks have to be held accountable to whom they lend to,” she said. “The banks have to reform their lending criteria and investigate all facts on landlord applications to verify all statements and stop predatory over-leveraged financing.”

In conjunction with the report, City Councilmembers Ritchie Torres, Jumaane Williams and Dan Garodnick are introducing a legislative package that would create and maintain a watch list of multiple dwelling owners who have engaged in practices associated with predatory equity, as well as a watch list of lenders who enable predatory equity – and expand the definition of harassment.

You can read the full report below.

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