

Notorious New York City landlord Steve Croman sentenced to jail

Katy Kinner
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Last week, notorious New York City landlord Steve Croman pleaded guilty to felony charges of grand larceny, falsification of business records and criminal tax fraud, landing him a one-year sentence in Rikers Island in addition to a fine of \$5 million-\$10 million.

The sentence is a fraction of the possible 25-year prison term Croman initially faced after being charged in May 2016 with 20 felony counts, along with mortgage broker Barry Swartz. New York State investigators accused Croman and Swartz of illegally raising the rents on rent-stabilized apartments to market-rate levels and falsifying rent records to receive bank loans of over \$45 million.

In 1990, Croman started 9300 Realty, a full-service real estate management and brokerage firm that specializes in Manhattan apartments. Croman now owns 140 buildings throughout the city, totaling 2,499 units, with roughly a quarter of those concentrated in Manhattan's East Village.

The Real Deal, a New York City real estate news website, was able to dig up finance records for 95 of Croman's properties, which together earned a net operating income of \$27.5 million. Net operating income was not available for the remaining 45 properties. One of Croman's buildings, at 252 Mott Street in the Nolita neighborhood of Manhattan, "is set to see its city-assessed market value increase 53 percent to \$12 million in the upcoming tax year," according to the website.

In 2014, New York Attorney General Eric Schneiderman began investigating 9300 Realty amidst accusations of tenant harassment. While there has been an ongoing civil suit by Schneiderman in regard to tenant abuse, the current charges against Croman are for crimes against the banks, not the tenants. Tenants had reported unsafe, unregulated construction, lead dust, water and heat shut-offs, fire safety violations and destruction of rent payments or lease agreements to create grounds for eviction.

The conditions in Croman apartments were not a result of simple negligence, but a part of a structured plan to deregulate rent-regulated apartments, shift them to the open market, and consequently reap steep profits, all the while diminishing the already dwindling availability of affordable housing in New York City.

There are two categories of rent regulation in New York: rent control and rent stabilization. Rent control regulations, which date back to 1947, are all but phased out, covering two percent of all New York City apartments. Rent stabilization regulations, initiated in 1969, cover just over a million rental units, nearly half of all rental units in New York City. Another million units are conventional houses, co-ops and condos.

While the protection that rent stabilization provides is limited and often inadequate, its implementation was the result of social struggles by the working class in the late 1960s. The system of rent stabilization was enacted when the city saw a sharp increase in rents in many post-war buildings.

Over the past 40 years, rent stabilization laws have been subject to revisions and concessions that benefit the real estate moguls and big investors. As a part of the social counterrevolution affecting the working class, attacks on affordable housing have rapidly increased. A recent Furman Center for Real Estate and Urban Policy study showed that between 2002 and 2014, the number of affordable rent-stabilized units in New York City fell by 233,931, or 27 percent.

While the New York state legislature revised rent regulation laws in 2015, it did little to curb exploitative provisions that allow for regulated units to be shifted to the open market. Units can be deregulated if they are vacant and the rent is raised to \$2,700 a month. Also, if a rent-regulated unit is occupied by a new tenant who has an income of more than \$200,000 a year, the unit will be turned over to the open market.

For decades, Croman's 9300 Realty has relied on these loopholes, buying Manhattan apartment buildings filled with rent-regulated units and forcing residents from their regulated apartments. Some have lived in these apartments for generations, and many working class and elderly tenants are able to survive in the city only because of their regulated rent.

The process of forced evictions is simple: make the apartments unlivable. Croman's strategy follows a predictable pattern. First, intimidate tenants by filing spurious lawsuits. Second, push aggressive buy-out offers and scare tenants who refuse the offers by entering their apartments without permission and stalking them to their workplaces. Third, ruin their apartments by performing illegal, unsafe and noisy construction in the hallways or on other units.

To defend themselves, the tenants of Croman buildings have formed several groups, including the Stop Croman Coalition and the Croman Tenants' Alliance. The websites of both groups outline the history of Croman tenant abuse, offer legal advice to current tenants, and serve as platforms for tenants to share their horror stories.

One tenant described her experience as one of two tenants left in an almost fully "turned-over" building. She wrote, "My ceiling is collapsing, and each day I get to deal with things like my door being blocked so I can't get in and out of my apartment."

More than 20 of Croman's properties are reported to have illegally high levels of lead dust. One woman testified that she had to cover her son's mouth and nose with a wet rag any time they entered the building's hallway because the lead dust was so thick.

The most shocking tenant stories concern Anthony Falconite, an ex-cop hired by Croman to threaten and intimidate residents into accepting buy-out offers. It has been reported that Falconite would disguise himself as a UPS delivery man or repairman and knock on every rent-regulated apartment. Once inside, Falconite would demand tenants' identification, take pictures of them without permission, accuse them of occupying the apartment illegally, and threaten a lawsuit. There were reports that Falconite would also stalk the tenants, driving behind them as they left on vacation or showing up at their workplaces. Allegedly, Falconite was paid a \$10,000 bonus for every apartment he vacated successfully.

While Steve Croman is perhaps the most egregious example of such tenant harassment strategies, he is by no means an anomaly in the world of American real estate, and his tactics are not new. As real estate markets in high-

demand urban areas explode, landlords do anything they can to plumb every dime of profit. In New York City, rent-regulated apartments, along with city-owned New York City Housing Authority properties, are particularly coveted.

The housing crisis and the need for affordable housing is a social issue closely aligned with the rapid growth of inequality in the United States. New York City is one of the sharpest expressions of the housing and homeless crisis, with more than 60,000 reported homeless and a growing percentage of the city's population living at the federal poverty level of \$32,580 annual income for a family of six. Rents are rising while incomes remain at stagnant levels.

In this context, Croman's sentence amounts to little more than a slap on the wrist, a scant warning to other big realtors not to proceed too quickly or recklessly in their attacks on tenants and further fuel the social discontent in the city's working class.

The token sentencing of Croman matches the token efforts of "progressive" Democratic Mayor Bill de Blasio to curb the decline of affordable housing by means of partnerships with the same parasitic real estate developers who are the cause of so much social misery.

Last month, under de Blasio's NextGen initiative, the indebted New York City Housing Authority released plans to lease public housing land to private developers, funneling millions of state and federal funds to private developers while only nominally increasing the availability of affordable housing.

The author recommends:

Legislative deal means further deepening of New York's housing crisis
[29 June 2015]



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