



NEW YORK STATE SENATOR

Brad Hoylman-Sigal

Senator Hoylman, Assemblymember Epstein Join Elected Officials & Tenants at Rally for State Legislation to Combat Predatory Equity at Kushner Real Estate Headquarters

BRAD HOYLMAN-SIGAL June 3, 2018

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NEW YORK - Today, New York State Senator Brad Hoylman, Assemblymember Harvey Epstein, tenants and advocates held a press conference to announce joint legislation targeting the practice of predatory equity. The legislation directs the New York State Department of Financial Services (DFS) to collect data on financial institutions that lend to property owners with the intent to displace current tenants.

Specifically, the bill requires DFS to investigate the role financial institutions play in encouraging anti-tenant practices by notorious landlords like Jared Kushner, Steven Croman and Raphael Toledano. Similar to the subprime mortgage crisis of 2008, lax underwriting standards and a general lack of transparency have allowed speculators and real estate agents to secure outsized mortgages with very little discretion and oversight. Owners use these loans to make purchases based on unrealistic projections of rising rents, and in turn have difficulty paying the mortgages.

Building owners — anxious to recoup on their hefty investments — often resort to abusive and exploitative tactics to drive rent-regulated tenants out. These abusive practices, known as predatory equity, are best-exemplified by figures like Steven Croman and Jared Kushner. Tenants of 141 Ridge St, a Croman property on the Lower East Side, had no gas or heat for 9 months as a result of invasive and aggressive construction. Court records show that tenants in several Kushner properties on the Upper East Side, Brooklyn, and the East Village reported attempted evictions through harassment, construction, and dilapidated conditions.

NYS Senator Brad Hoylman said: “No longer can we allow landlords like Kushner, Croman and Toledano to force our neighbors out of their homes in order to make a quick buck. We demand that New York State investigate the practice of predatory equity so we can take the necessary steps to protect rent regulated tenants from harassment and eviction.”

NYS Assemblymember Harvey Epstein said: “This legislation will bring us closer to stopping the practice of predatory equity before it starts the cycle of tenant harassment and displacement that has become all too familiar in our city. Bad actor landlords and scheming financiers should take note: your days of destabilizing our neighborhoods with your shady business practices are numbered. “

NYS Assemblymember Deborah J. Glick said: “Predatory equity practices, which companies like the Kushner Company take advantage of, promote speculation in the Manhattan real estate market and cause tenant harassment and illegal eviction of rent-regulated tenants. This practice allows unscrupulous buyers with little to no prior experience as a landlord to obtain the capital necessary to purchase large portfolios of properties. Many, such as the Kushner Company, then harass tenants to empty buildings in pursuit of flipping rent-regulated apartments into luxury rentals which harms individuals, families, communities, and the stability of the real estate market and local economy. I oppose this practice and fully support an effort to ensure legislation prevents further losses to affordable housing because of bad real estate practices.”

Public Advocate Letitia James said: “New Yorkers deserve to live free of harassment and intimidation in their own homes For years, the Kushner Company has forced tenants out of their rent-controlled homes using seedy and underhanded methods, all in the name of the company’s bottom line. Access to safe and affordable housing is one of our most basic rights, and this legislation from Senator Brad Hoylman and Assemblymember Harvey Epstein will ensure that predatory landlords like the Kushner Company no longer get away with exploiting tenants to make a profit.”

Councilwoman Carlina Rivera said: “My Council District is home to the largest number of buildings in the Kushner portfolio where permits were allegedly falsified in order to profit from the displacement of New Yorkers. I have heard from countless constituents whose landlords use similar tactics, specifically weaponized construction, to harass and push out their tenants. It is clear that with landlords like Steve Croman continuing to harass tenants even while in jail, we need to do much more to target these corporate criminals. I commend Senator Hoylman and Assembly Member Epstein for introducing this important piece of legislation and fighting to protect residents of Manhattan’s East Side.”

Jamie Weisberg of the Association for Neighborhood and Housing Development (ANHD) said: "For too long, financial institutions - bank and non-bank lenders - have operated with little to no transparency on their multifamily lending. Responsible lending matters to the millions of tenants that rely upon rent regulated housing for stable, affordable homes. We know lenders are supporting Landlords to take on debt that doesn't support the current rents or that relies upon high turnover of rent regulated tenants to pay back the debt. And when that happens, tenants suffer: evictions, rent increases, buyout offers, dangerous construction. This bill will shed light on the practice and help us take steps to end it."

Jackie Del Valle of Stabilizing NYC said: "Predatory Equity is destroying affordable housing in NYC and cannot be stopped until the lenders are held accountable. Thousands of units in NYC have been bought at speculative prices that are unsupportable by the rents in place. This has led to the displacement and harassment of NYC tenants and the loss of hundreds of regulated apartments. We applaud the efforts of State Senator Holyman and Assembly Member Epstein in introducing legislation that identifies the critical metrics to detect and regulate the role that lenders play in underwriting predatory and speculative purchases."

Doris Koo, Interim Executive Director of Asian Americans for Equality (AAFE) said: "Today, there is no greater crisis in our city's neighborhoods than the loss of affordable housing. When predatory landlords are speculating on apartment buildings they often see Chinese and Asian immigrants as easy targets for eviction. They think if they shut off their gas or clog the stairways with construction debris immigrant tenants will not complain and just move out. I commend this effort to put more responsibility on lenders to ensure their borrowers are not using the business model to illegally harass tenants out to raise rents. Thank you Assemblymember Epstein and Senator Hoylman for standing up for rent regulated tenants in Lower Manhattan and across the city."

Holly Slayton, Mother & TTC Member said: “ I am a 27 year resident of 514 East 12th street, a poorly maintained, mostly empty building with 13 vacant units. Since Madison Capital / Silverstone Properties took over the buildings from Toledano, they have used construction as harassment, creating constant dust and debris and depriving tenants of gas for 18 months. We have mouse and rat infestations in my building, multiple lead dust hazards which violate the EPA standard, and black mold in my unit and throughout the building. These living conditions have left me and my child with constant upper respiratory infections.”

Predatory equity has had a larger, corrosive effect on New York’s affordable housing stock and small businesses. Because of existing regulations, many of New York City’s buildings fall below market value, making them an ideal target for reckless private equity firms. As a result, firms have amassed a sizable stake in our city’s affordable housing market. Between 2003 and 2007, private equity backed developers purchased an estimated 100,000 units of affordable housing— nearly 10% of the city’s affordable housing stock. These same practices are also utilized by property owners acquiring small businesses, who evict existing tenants, hike the rents, and replace them with chain retailers, eroding the character of neighborhoods throughout the city.

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