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THE **FEATURE**



THE PHANTOM LANDLORD



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The Lender

100 buildings. 19,000 violations. Who was in charge?



PALAZZOLO PLAZA

Above, Frank Palazzolo's \$2.3 million Westchester home. Below, 3569 DeKalb Avenue, a building owned by a company of which Palazzolo was once named president. Target of hundreds of housing code violations, it was also the site of a deadly 2002 fire. Photo by Marc Fader.

New York has long had a bumper crop of notorious landlords. Years back, there was the one dubbed the “Dracula landlord” because he kept returning to haunt tenants of his Brooklyn and Manhattan properties even after authorities thought they had laid him to rest.

Then there was the “devil landlord,” who seemingly delighted in keeping his Harlem residents in wretched conditions, at least until he was carted off to jail. These days, there are various lists of worst landlords and properties. There’s one published by the city’s public advocate, another compiled by the city’s housing department, as well as the original catalog of shame occasionally carried in *The Village Voice*.

But while his name or properties connected to him have graced all those lists, it’s hard to peg Frank Palazzolo, a wealthy Westchester real estate operator, as a member of the worst-landlord club. That’s because, even though the scores of buildings he was associated with teemed with violations and creaked in disrepair, actual legal ownership of most of the properties was usually in the hands of others. The question of who was responsible was forever murky. Lawyers, housing officials and tenant organizers always had a tough, if not impossible, time pinning down Palazzolo’s exact responsibility.

What is clear is this: At one point, more than 100 large and, in many cases, severely troubled apartment houses in the Bronx were, according to city lawyers, registered to corporations at his Scarsdale headquarters. The same buildings were wrapped in huge mortgages—worth tens of millions of dollars—that Palazzolo managed to obtain from major lenders. Strangely, those same buildings remained in squalid disarray long after those loans had closed.

In 2002 one of them was the scene of a fatal electrical fire. The fire occurred 14 months after a Housing Court judge ordered numerous housing violations—including electrical hazards—fixed. An 8-year-old boy with a winning smile was killed; his brother was severely scarred.

Other buildings witnessed ceilings that collapsed atop



Above: Frank Palazzolo's \$2.3 million Westchester home. Below: Lissette Mora, tenant of a building owned by a Palazzolo-linked corporation in 2002 when a fire killed a young resident.



tenants, drug gangs that roamed at will through their hallways, rodents that crawled out of the night to terrorize sleeping residents and potentially deadly lead paint that flaked off the walls and into the reach of infants.

What was also clear was that Palazzolo brooked no criticism: When a veteran Bronx community group tried to organize tenants in buildings overseen by his associates, a million-dollar lawsuit was filed against them and an injunction was obtained barring them from the premises.

Nor was he glad to discuss his business. The few times Palazzolo was asked by reporters about his real estate practices, he ducked. When a WNBC camera crew managed to get into his Scarsdale headquarters, the real estate investor was captured on film fleeing behind closed doors. “I own no buildings,” he said when a reporter for a Bronx newspaper managed to get him briefly on the phone. Then, like some faded movie star, he switched to the third person: “Palazzolo is a lender.”

If there were a tabloid tag for Frank Palazzolo it might be this: “The Phantom Landlord.”

Last fall, a class of students studying investigative reporting at CUNY’s Graduate School of Journalism undertook the task of trying to piece together the often fractured stories that have emerged over the years about Palazzolo’s real estate operation.

The investigation, and the story that emerged, is not only about one landlord’s record. It’s also about why banks lent vast fortunes to real estate managers with troubled records. It also aimed to understand why, despite the many laws and rules aimed at protecting vulnerable tenants, it’s still possible to let buildings filled with needy families lapse into disrepair while owners make huge profits.

Partial answers to these questions emerged from interviews with tenants, community leaders, bankers, landlords, investors and housing officials and a review of court documents and other public records.

For his part, Palazzolo declined repeated attempts to get his view of things. One of those attempts was in early November, when a pair of reporters working on the project drove up to Westchester to see if they could get an interview. Their first stop was at his headquarters on a commercial strip in the wealthy suburb of Scarsdale.

They pulled into the parking lot of the white, two-story office complex with the name Palazzolo Plaza emblazoned across the front. Westchester property records show that Palazzolo purchased the building in 1999 for \$1.6 million. Parked outside the office was a gleaming silver Bentley, a brand of automobile long favored by tycoons and whose starting price begins at about \$180,000. A worker was crouched beside it, busily polishing the rims. The vehicle’s New York license plate read “DEALMKR.” A records check showed it was registered to Palazzolo.

On the second floor, in the office of F&M Funding, one of Palazzolo’s many companies and which is listed as a lender on more than a dozen Bronx properties, they asked to speak to Mr. Palazzolo. He was busy, they were told, but a Mr. Tobia would be happy to speak with them. Stephen Tobia, a long-time associate of Palazzolo’s, emerged from the back to peer at them over his glasses as they explained their business. “It’s been a while with the Bronx properties,” said Tobia. “We’ll get back to you.” Despite repeated attempts by reporters to follow up, Tobia never did get back to us.

Our reporting aimed to understand why, despite the many laws and rules aimed at protecting vulnerable tenants, it’s still possible to let buildings filled with needy families lapse into disrepair while owners make huge profits.

Palazzolo lives in an even tonier section of the county—leafy Bedford, 20 miles north of his offices—and the reporters went to take a look. Several years ago, a busload of tenants and Bronx community organizers protesting building conditions went up to demonstrate outside. The tenants gawked at the mansion, which sits behind a set of white pillars and gates, at the end of a wide driveway. Records show Palazzolo and his wife, Mary, purchased the home in 1999, the same year as his headquarters. They paid \$1.25 million. Its value is now listed at \$2.3 million.

The reporters stood at the gate and looked down the drive. Five men were at work on the late-fall day cleaning the lawn with leaf blowers. It was a very big lawn, which was probably why it took five men to handle it. But as the results of the four-month long investigation into Palazzolo’s real estate empire suggest, the workforce on his front lawn that day looked a lot bigger than tenants we talked to saw dispatched to the scores of Palazzolo-linked apartment houses.



Paul Parker lost his eight-year-old son Jashawn in a 2002 fire at a building whose mortgage was held by a corporation linked to Frank Palazzolo. Photo by Marc Fader.

BY JORDAN MOSS

Burning Questions

First came tenant complaints. Then a deadly fire.

Building blazes that kill kids usually burn as brightly the next morning in the tabloids.

But the fire that took 8-year-old Jashawn Parker in the late evening of Aug. 6, 2002, on a typically dense northwest-Bronx block somehow never got much ink—a couple news briefs in the *Daily News* the next morning and a small item in the *Post* the following day.

But the fire that took 8-year-old Jashawn Parker in the late evening of Aug. 6, 2002, on a typically dense northwest-Bronx block somehow never got much ink—just a couple brief items in the *Daily News* and a small item in the *Post*.

It's unclear why. The fire stemmed from a hyperdocumented virtual time bomb that tenants and advocates had worked to defuse for two years.

The six-story building at 3569 DeKalb Avenue, just off Jerome Avenue and next to Woodlawn Cemetery, was a stunning case study of the city's flawed housing-code-enforcement system with the scope of dangerous neglect apparent to anyone with an Internet connection. It had 387 code violations, with leaks, water damage, electrical problems, roaches and mice among them. At least two Housing Court judges cut the building's landlords slack rather than appointing an outside administrator, known as a 7A, despite minimal signs of repair progress.

Indeed, court documents point to years of official concern, but little action, over serious housing code violations at the building. Records suggested that through a succession of named owners in the years before the fire, one constant on mortgages and other property documents surrounding 3569 DeKalb was the name Frank Palazzolo.

THE FIRE

Last fall, we went looking for Jashawn's father, Paul (whose legal first name is Headley) Parker. We found him living in East New York, Brooklyn, where he rents a room in his sister's house. He picks up occasional jobs in construction but struggles to pay his bills, including \$55 a month for his cell phone. It took a few weeks of daily calls to reach him during a time when his cell was in service. On Halloween, we met up with Parker at the Canarsie Piers in Brooklyn, where he was fishing, something the 51-year-old native Jamaican does regularly to unwind and cope with still raw memories that have traveled with him to the opposite end of the city. We sat down with him on a bench, and he told us about that terrible summer night and the unanswered alarms leading up to it.

For Parker, it started out like most others since 1995, when his wife, Jackie, the popular owner of a hair salon around the block, died of an asthma attack. In Parker's room in the family's one-bedroom apartment on the first floor, he put his youngest son to sleep. He later carried a sleeping Jashawn (whom he calls Shawn) to the boy's bed in the living room and put him down there. Usually, Jashawn would wake up before too long and climb back in with his dad. That night he stayed put.

At around 11:30 p.m., a fire broke out in the kitchen. It soon traveled through the apartment. On one side of the blaze, P.J. ran through the flames, out the door and across the hall to neighbor Lissette Mora. Skin was hanging off his body. Mora, who says her son Marcus and Jashawn were inseparable, tried to get in the apartment door but couldn't. She could hear Jashawn crying and yelling from inside.

On the other side, at around the same time, Parker was awakened when firefighters outside on the fire escape banged at his window. They shouted at him to come out. Instead, he went the other way, through his bedroom door, yelling, "Shawn, P.J.! Shawn, P.J.!" The force of the fire blew him backward. As he retreated, firefighters broke through the window and got him down to the street. There, he ran around shouting, asking everyone where his sons were.

Jashawn, a good student (his father calls him "immaculate" in this regard), apparently remembered a lesson given to his class by a firefighter just a couple of months earlier. He went into the bathroom, his father says, filled the tub with water,

got in and put a wet cloth over his face.

But smoke came under the closed door and overtook him.

Parker, hospitalized with smoke inhalation, was not told until a couple of days later that his son was dead. The news sent him into cardiac arrest, and doctors had to resuscitate him. Eventually he got to see P.J., at a hospital in Manhattan, wrapped in bandages head to toe. "He looked like a mummy," Parker says.

YEARS OF WARNINGS

Long before the fire, tenants at 3569 DeKalb had done their best to address myriad problems there. Two years earlier, a group of them went to talk to Sally Dunford, head of West Bronx Housing, a local advocacy group run by the Bronx Jewish Community Council, to see if there was any way to force the landlord to address the extreme conditions.

"I have to admit, my first reaction was, they had to be exaggerating, because I couldn't figure out how a building could've gotten that bad in this neighborhood without anybody realizing it," says Dunford, who's been handling housing complaints for 17 years.

But she changed her mind after a visit to the site. "We found conditions that were just horrendous. I hadn't seen anything like that."

She says the apartment house had sinking floors, crumbling walls, mold throughout and a hole in the courtyard that a child could fall through into the basement.

Parker was well aware of the many problems in the building. At one point, he had been the building's super but left that job to focus on outside work because it didn't pay enough. He said he was a porter, a less time-consuming job, at the time of the fire.

Electrical outages throughout the building were common, Parker says. Many outlets in his own apartment didn't work and didn't even have cover plates. There were holes in the walls.

And, Paul says, he smelled gas often and complained about it to his landlord and Con Ed. P.J. told attorneys questioning him in a deposition that he could hear the gas leaking from the stove and remembered his father reporting it to the super and the landlord.

Dunford's work journals indicate she began speaking to the city's Department of Housing Preservation and Development as early as August 2000 about securing the appointment of an outside administrator of the property—known as a 7A—in



Jashawn Parker

“I have to admit my first reaction was they had to be exaggerating because I couldn’t figure out how a building could’ve gotten that bad in this neighborhood without anybody realizing it.”

Housing Court. In a society built on property rights, it’s tough to persuade judges to take that step. Dunford says housing officials, while concerned about the dangerous level of decay, weren’t sure their program had sufficient resources to handle the building. But the agency eventually decided it had no choice but to take the case to a judge.

In Housing Court, however, two judges made rulings common in such cases, giving the owner more time to make the repairs himself. In June 2001, Judge Sheldon Halprin wrote up a list of things that would be fixed and set deadlines, and everyone concerned signed off. Among the litany of repairs to be addressed, there were “corrosion on gas headers” and “electrical hazardous overloads—50% electric in apartments—excessive soft wiring,” rotted subflooring in several apartments, leaks in water and waste lines, and water damage in several apartments.

Then, in November, another judge, Lizbeth Gonzalez, took over from Halprin (they rotate regularly) and drew up a new agreement for fixing existing violations. In March 2002, which was the last court date before the fire, all C violations (the most serious) were ordered to be repaired in 30 days and the others in 90. (Asked why a 7A administrator wasn’t appointed sooner, Gonzalez told *City Limits*, “I don’t have a clue without the file, and even then, since it was nine years ago, I might not remember.”)

The agreements and orders were toothless. There were no ultimatums or penalties.

The fire department determined that the fire at 3569 DeKalb Avenue was an “accidental electrical fire,” said Frank Dwyer, a department spokesman, in an email. But the only report provided to *City Limits* by the agency’s records office had no information about the cause, and a Freedom of Information Law request submitted in January had not been fulfilled by press time. So whether gas leaks in the apartment and in the building helped ignite the blaze is unclear. In the days after the fire, tenants told the Norwood

News that they regularly smelled gas in the building.

A state inspector general probed the fire as part of a fraud investigation (see “The Jiggets Was Up,” p. TK), blaming it on a jury-rigged electrical system, including overloaded and overheated fuse boxes, “brittle electrical wires and rusty electrical cables, and the use of extension wires where armored cables should have been installed.”

After the fire, inspectors from the buildings department noted that someone had set up a fan “to keep the wires from overheating.” It’s unclear if the fans were in operation before the fire broke out. In any case, electrical hazards weren’t the only dangers facing tenants of the building: The Parkers’ apartment had no smoke detectors, according to Parker and the state inspector general’s report, and other tenants tell *City Limits* their apartments didn’t have them at the time of the fire either.

A BUILDING WITHOUT OWNERS

Before his son’s death. Parker says, he raised the problems at 3569 DeKalb with whoever would listen. But there was a changing and murky roster of people with responsibility for the building where Jashawn lived and died.

A company called Quest Property Management V purchased the property in 1997; the address on that deed is 1075 Central Park Avenue, Palazzolo’s office before he moved into his current Scarsdale headquarters. Mortgage documents in 1997, 1998 and 2000 bear Palazzolo’s signature as president of Quest V, but Eric Gladstein was also deemed president of Quest V, according to a court decision related to activities prior to 2002.

In February 2002, John Cirillo and Michael Toikach became owners of 10 shares of stock in Quest V, according to information provided to the city’s Department of Housing Preservation and Development after a 2004 subpoena. But Quest V remained the owner of 3569 DeKalb Avenue.

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Why Not Prosecute?

Questions about justice after fatal fires

Despite the well-documented state of neglect at 3569 DeKalb Avenue, no one has ever been held accountable for the blaze that killed Jashawn Parker and badly burned his teenage brother. A civil case has dragged on. And it appears questions of criminal liability were never seriously considered. According to a spokesman for Bronx District Attorney Robert Johnson, the fire was deemed an electrical accident and was never referred to the DA's office for prosecution.

Landlords who violate housing and health codes can get slapped with fines. They can even get brief stints behind bars for civil contempt if they don't comply with mandated repair orders, as was the case with landlord Sam Suzuki, who spent 23 days in jail this summer for failing to address hundreds of violations at a building in the Bronx.

But rarely do property owners face criminal charges, no matter how brazen the neglect might be. Convicting a landlord on the criminal level is a much harder task, legal experts say.

"It's just not a winning thing for a district attorney," says Ralph Stein, a Pace University Law School professor with an expertise in criminal procedure.

Under the law, Stein says, ordinary negligence—or a person's failure to exercise a reasonable amount of care—falls under the realm of civil liability, not criminal. To hold defendants criminally liable, an attorney has to prove their actions demonstrated gross negligence or recklessness.

"Gross negligence is sometimes described as almost wanton and willful," Stein says. "It's just not something district attorneys feel confident about. Simply because a building is not maintained is not enough."

In at least five cases involving the deaths of New York City firefighters, however, prosecutors have sought criminal convictions against landlords, tenants, engineers and contractors.

In 2001 a homeless man named Edwin Smith was sentenced to 15 years after pleading guilty to manslaughter charges for accidentally starting a fire in a building where he was squatting in Jamaica, Queens. Smith had lit a

makeshift candle for warmth, and prosecutors argued that his failure to tell firefighters who arrived on the scene that the burning building was empty was a conscious decision—and reckless enough to constitute murder. Lt. John M. Clancy, 35, was killed when a floor collapsed beneath him.

In another 2001 case, a laborer named Patrick E. Jeffers got a 15-year sentence for starting an accidental fire in a Brooklyn garage where a firefighter, Louis Valentino, was killed. Jeffers was convicted of second-degree felony murder, or causing a death while committing another crime (namely, using a power tool to illegally transfer a vehicle ID number from one car to another) but he was acquitted of a second murder charge that accused him

of "depraved indifference" for operating a grinding tool near gasoline, the action that started the blaze.

At the 2005 Black Sunday fire in the Bronx, Lt. Curtis Meyran and Firefighter John Bellew, trapped in a building that had been illegally subdivided, jumped to their deaths from a fourth-floor window; four other firefighters also jumped and were gravely injured. Pros-

The more newspaper headlines an incident grabs, the more pressure there is to prosecute.

ecutors first brought manslaughter and negligent-homicide charges against two tenants who installed the illegal partitions, but a jury acquitted them in 2009. Later that year, in a separate case, a jury found the building's owner and a former landlord guilty of criminally negligent homicide. The men's convictions, however, were eventually overturned by a judge who ruled there was not enough evidence to prove the two defendants knew about the illegal partitions inside the building.

In August 2006, Lt. Howard Carpluk and Firefighter Michael Reilly died when a floor collapsed at a Walton Avenue 99-cent store where they were battling a blaze. Prosecutors went after an engineer who had signed off on inspection reports that erroneously indicated that steel supports were in place in the building. The defendant died before the case concluded.

Most infamous was the 2007 fire at the Deutsche Bank building, where two firefighters died in part because the system for bringing firefighting water into the building had been crippled by demolition workers who severed a crucial pipe. The Manhattan DA prosecuted a corporation and three supervisors; all were acquitted.

Lighting a candle or cutting a standpipe are more overt acts than ignoring housing code violations. But the dangers posed could be the same, even if prosecutors' response has been different, says Dina Levy, director of organizing and policy at the Urban Homesteading Assistance Board.

"There should be more criminal consequences," she says. "I think if it were something more standard, it would actually have an impact on the quality of the housing stock."

Had prosecutors attempted to seek indictments in the DeKalb Avenue fire, they would most likely have run into similar issues as those that cropped up in the Black Sunday and Deutsche Bank cases, Stein says.

"You would have to prove beyond a reasonable doubt that the wiring was the violation, that (the landlord) had ample opportunity to fix the wiring," he says. "If the landlord has a good defense lawyer, it can become an expensive proposition."

Andrew Laskin, a trial attorney who specializes in representing people injured on properties that lack adequate security systems, says the factors that drive prosecutors to seek indictments are complex and often political. He notes that the Deutsche Bank case "was a high-profile thing."

Indeed, the fire at 3569 DeKalb Avenue and the conditions that led to it were barely covered by the citywide media. A search of the Nexis news archive found 453 articles mentioning Meyran and more than 70 about Valentino's passing. There were four articles about Jashawn Parker's demise.

—Jeanmarie Evelly



Firefighters work to extinguish the August 2006 fire at which two firefighters died in a floor collapse. It was one of several deadly fires involving FDNY victims in which prosecutors wrought to punish building owners, tenants or designers. Photo: FDNY.

When the *Norwood News* asked Palazzolo in 2003 about the building at 3569 DeKalb and other troubled properties believed to be linked to him, he denied responsibility for the condition of any of the real estate.

“I own no buildings,” he told the paper at one point, quickly switching to the third person. “Palazzolo,” he said, “is a lender.”

For his part, Parker says he doesn’t remember dealing with Palazzolo, at some point identified as the president of Quest V, or even Cirillo or Toikach, who were the company’s shareholders at the time of the fire. He only remembers telling Con Ed and the super about the problems. Con Ed did respond to his complaints shortly before the fire; workers unhooked his stove. Cirillo later testified in a civil lawsuit deposition that he learned of the gas problem in Parker’s apartment but never visited to check on the situation.

In hindsight, in addition to Housing Court, many people and agencies might have done more to prevent the disaster at 3569 DeKalb: The city’s Department of Housing Preservation and Development could have begun making major repairs itself, billing the owners

for the work and placing a lien on the property.

Responding to a request for comment, HPD said it was the landlord who “let his building fall into extreme disrepair, and then at each step sought to obstruct the city’s

efforts to hold him accountable and to put the management of the building into responsible hands via 7A.”

Proof of the city’s commitment to ensure compliance with the housing code, spokesman Eric Bederman said, is seen in the program it launched in 2007 to force landlords to make critical repairs and an initiative piloted last year that identifies vulnerable buildings before they descend into disrepair. But these new programs suggest that the old approach to code enforcement—the one in place when Jashawn Parker died—wasn’t sufficient.

The city’s buildings department, which did not respond to requests for comment, could also have been more aggressive. Lissette Mora told the *Norwood News* in 2002 that the day before the fire, she reported sporadic power and flickering lights to HPD; an agency spokesman in 2002 said HPD did refer the matter to the DOB. Mora said she even called the DOB’s call center but got only an answering machine.

A few weeks after the blaze, an HPD attorney was still demanding many of the same repairs. Three months

after Jashawn’s death, a judge in Housing Court finally appointed a 7A administrator. He named the Fordham Bedford Housing Corporation, a respected nonprofit with deep community roots.

When the 7A designation took effect and inspectors came in full throttle, the violation count hit almost 500.

The tragedy got the system moving quickly. “If a child hadn’t died in that building, we might still be doing it, for all I know,” Dunford says about the push for the 7A ruling.

Tenants say conditions in the building, now in the hands of a corporation calling itself New York Affordable Housing Associates, are somewhat improved.

But there are still problems and 101 code violations. In November, tenants say, they went without heat and hot water for the previous two days—not a rare occurrence, they say. Mold is visible on some of the hallway ceilings, there are cracked steps in the lobby, and the broken front door allows anyone to enter.

Everyone who lived at 3569 DeKalb back then still remembers the fire. Even a 16-year-old girl, who was just 7 at the time, says she remembers clearly that she had just taken off her sneakers in her room before being rushed outside when the fire trucks arrived.

THE LANDLORD FILES

Original documents from
our investigation
www.citylimits.org/magazine

MEMORY THE ONLY MARKER

At the pier, Parker lamented Jashawn’s absence in his daily routines.

“That’s what I miss, taking him to school, getting him dressed in the morning,” Parker said, adding, “I wish I had my son with me right now. This is stuff that he loved to do too. He loved to fish.”

And then there’s his older son’s unrelenting suffering.

P.J., now 23, is still traumatized, according to his father and stepbrother, Fabian Morgan, whom he lives with in his grandmother’s house in the northeast Bronx. He’s had emotional difficulties since the fire, relatives said.

“It’s been so many years, but you look at P.J. and you still see the sadness in his face,” says Mora, who still lives at 3569 and sees him occasionally. She says her own son, Jashawn’s pal Marcus, refuses to talk about that day.

Parker gets to his son’s gravesite when he can. We gave him a ride one day, picking him up in Manhattan and heading up the Sprain Brook Parkway to Mount Hope Cemetery in Hastings-on-Hudson. He knew the way to the right section of the curvy, complicated layout.

But when we arrived, it took Parker a few moments to locate Jashawn’s grave as he headed slowly down the row. He eventually stopped and bowed his head. And then we saw why it was a bit of a challenge: There’s no headstone for Jashawn Parker.



Paul Parker displays a tattoo of his deceased son. Photo by Marc Fader.

Nine years after the burial, the grassy patch is not marked or identifiable in any way. The only guides are the tombstones on either side.

Meanwhile, Eric Gladstein, who sold the building on DeKalb Avenue eight months before the fire after being indicted for fraud, lives in a large, gated home in the Westchester town of Armonk, six miles from Palazzolo's estate in Bedford. Property records show he purchased it in 1999 for \$1.2 million. In November a pair of reporters approached Gladstein in his driveway. He offered little except to say that he and Palazzolo were friends.

Parker did his best to get some justice in court for what happened to his sons. He filed suit against Gladstein, Cirillo, Quest Management V and Con Ed. But after nine years, there's been no resolution. The case is technically active, but Parker's attorney Arnold DiJoseph hasn't been able to depose Gladstein, whose attorney didn't attend a court date in February. And he hasn't named Palazzolo in the suit, facing the same legal obstacles other attorneys have experienced bringing cases for tenants in buildings linked to him.

"I've tried to pierce the corporate veil by suing these guys individually," DiJoseph says. "The law firm just represents the corporation and doesn't claim to represent the individual people." Quest V also had no liability insurance, DiJoseph says. It's not legally required.

Parker says he doesn't dwell on the inequities between his own life and that of the former owners of the building that was allowed to slip into a state of fatal disrepair.

"There's nothing they're going to offer me that's going to bring my son back," he says. "It's not going to ease my pain. I just want them to acknowledge the neglect and the things that they do and try to get away with."

—*Jacqueline Vergara, Nicholas Rizzi and Daniel Rosenblum contributed reporting to this article. William Wichert contributed valuable assistance in the story's early days.*

Piercing the Veil

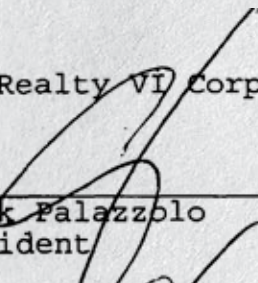
The links between a 'lender' and dozens of troubled buildings

At the height of the real estate bubble, banks looking to make profitable loans on residential multifamily properties viewed Bronx real estate operator Frank Palazzolo as an excellent investment candidate. He looked good—at least on paper.

For starters, Palazzolo's business was thriving. He was owner, partner, investor or financier in dozens of large apartment houses. He was clearly well situated in a market with an endless supply of customers: Many of his holdings were located in the borough's northwest section, the densest residential area outside Manhattan and a stronghold of working-class New Yorkers, many of them immigrants, all in need of the city's rarest commodity: affordable rental housing.

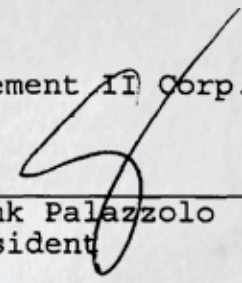
On a checklist of creditworthiness, Palazzolo scored high: In 10 years, he had gone from owning a handful of properties with relatives to heading a major real estate operation with several dozen associates and partners. He had established a track record of having held earlier bank loans, including two for more than \$1 million. And it didn't hurt that he ran his business out of his own modern office complex several miles north of New York City.

New Line Realty VI Corp.

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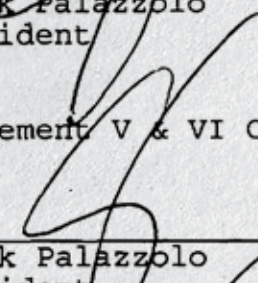
Frank Palazzolo
President

CPR Management II Corp.

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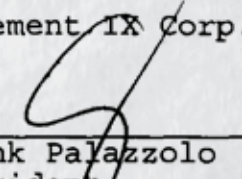
Frank Palazzolo
President

CPR Management V & VI Corp.

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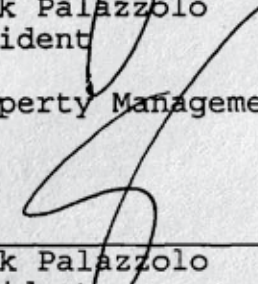
Frank Palazzolo
President

CPR Management IX Corp.

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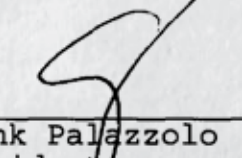
Frank Palazzolo
President

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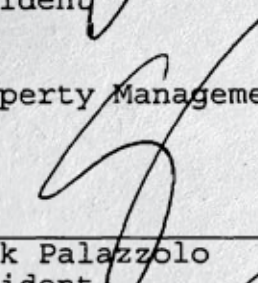
Frank Palazzolo
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Quest Property Management II Corp.

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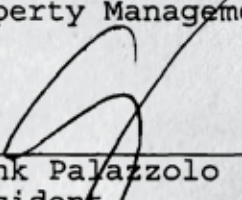
Frank Palazzolo
President

Quest Property Management III Corp.

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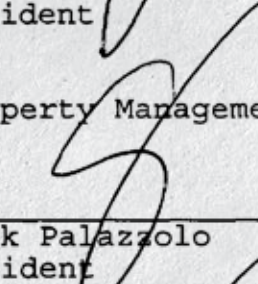
Frank Palazzolo
President

Quest Property Management IV Corp.

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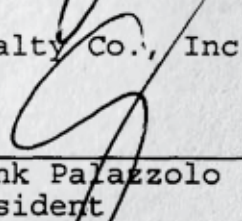
Frank Palazzolo
President

Quest Property Management V Corp.

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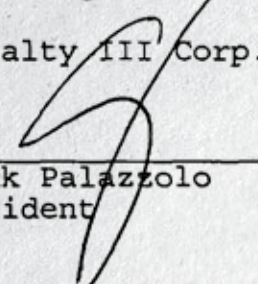
Frank Palazzolo
President

Nexstp Realty Co., Inc.

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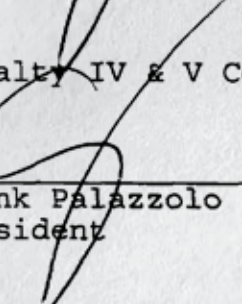
Frank Palazzolo
President

Nexstp Realty III Corp.

By: 

Frank Palazzolo
President

Nexstp Realty IV & V Corp.

By: 

Frank Palazzolo
President



A photo from inside one of the Palazzolo-connected properties.

In the language of bankers, Palazzolo had the requisite three Cs: capital, capacity and collateral, and enough of each to handle sizable mortgages.

A few years earlier, he would have been out of luck, along with most other Bronx real estate owners. In the 1970s and early '80s, banks were loath to offer mortgages of any size as arson, owner abandonment and city disinvestment took a huge toll on Bronx residential neighborhoods.

But by the late 1990s, when Palazzolo first went shopping for large investment funds, the market had done an about-face. Housing values were soaring, and lenders were welcoming mortgage applications like his. Loan documents were quickly assembled and approved.

A SERIES OF HUGE DEALS

One of his biggest was in 2000, when he negotiated a \$35.8 million note from Dime Savings Bank of New York for his Palazzolo Realty Corporation. The mortgage loan was spread over nearly three dozen properties containing more than 1,100 apartments. Most of the mortgage went to consolidate outstanding debt already carried on the buildings. But bank officials were impressed enough with their client to advance him an additional \$9 million for unspecified needs.

A year later, he presented another lender, Washington Mutual, which had taken over Dime Savings Bank, with a different roster of 34 properties, containing more than 1,000 units. Like the earlier group, each property was owned by a different corporate entity, each one listed at Palazzolo's Scarsdale offices. The bank agreed to lend him \$32 million. Again, most of the note represented consolidated debt, and again Palazzolo picked up additional cash on his trip to the bank, in this case an added \$8.5 million.

Mortgage documents for the loans were filed with the Bronx County clerk. They contained standard provisions protecting the bank's interest in the properties: All insurance would be in place; they would be maintained in good condition; "all necessary or desirable repairs" would be made; rents would be collected in compliance with all laws; environmental rules—a reference to strict laws concerning elimination of dangerous lead paint—would be obeyed.

With a series of soaring loops, Palazzolo signed his name as president of each of more than 60 separate corporations holding title to the properties, agreeing to the terms and conditions. Most of the buildings had been purchased in the late '90s by either Palazzolo or his many associates. His role, as he later explained in courtroom testimony, was to serve as a kind of arranger—someone who located properties, lent money to the actual owners and arranged financing.

Once the paperwork was complete on Palazzolo's loan applications, the funds were released. Among the properties in the mortgages was 3569 DeKalb Avenue, the building where Jashawn Parker died.

Years later, when asked on the witness stand where that mortgage money went, Palazzolo insisted most of it had gone to pay outstanding loans, contractors, fuel oil vendors and the like. But if much of the money was spent to maintain the apartment houses, there was little to show for it.

Records show that many of the properties pledged in Palazzolo's mortgages were already in severe distress at the time the loans were made. In 2004, just two years after Palazzolo had signed off on multimillion-dollar financing deals, officials at the Department of Housing Preservation and Development said that they'd found more than 19,000 housing code violations in some 100 properties identified as part of Palazzolo's real estate operation.

A follow-up look late last year at many of those same properties found different owners of some buildings and a few positive indications that new landlords were trying to turn things around. But the findings were otherwise stark: Despite the millions of dollars paid out to his corporations in mortgages, many of the properties involved in those deals had only tumbled further into decay.

Palazzolo himself, along with almost all of the associates whose names were listed as building owners, had managed to escape any sanctions. Thanks in part to tough New York state laws that protect individual investors from corporate liability, no one was penalized for the disastrous shape in which they left their properties. A couple of them retired to mansions similar to Palazzolo's in leafy glades in Westchester, just a few miles north of where they had found their fortunes.

Even some of the bankers said they later came to regret their dealings with the Bronx real estate tycoon. Michael Allison, executive vice president for strategy and growth for Washington Mutual, testified in a deposition in 2007 that his bank had decided not to make new deals with Palazzolo after he refused demands for repairs on the properties.

"We communicated our desire to Mr. Palazzolo that the violations be cured," stated Allison, "and that this would be part of what would be required for us to continue the relationship or to pursue additional relationship (sic)." Palazzolo, he testified, declined.

"He disagreed with the requirements we expected on the property," Allison said. "He felt comfortable that his level of maintenance was appropriate for his tenants and suggested he wasn't going to do that."

Other bankers were blunter. "Palazzolo is persona non grata around here," says Vincent Giovinco of New York Community Bank, which did mortgage financing with him in 2004, agreeing to lend \$18.6 million to the Palazzolo Investment Group against 20 apartment buildings in the Bronx. "As long as I'm here, I don't think he'll get another loan," Giovinco says.

But that's looking through the rearview mirror. By the time those regrets were voiced, the money was already long out the door and the damage was done.

MAJOR LOANS AMID DRUGS, DISREPAIR

The experience of Cynthia Orta, a tenant in one of Palazzolo's heavily mortgaged buildings, illustrates the sharp disconnect between the huge outlay of capital by lenders

and everyday conditions for residents. Orta and her parents moved into an apartment at 1053 Boynton Avenue in the Bronx's Soundview section in 2002, the same year Palazzolo negotiated his \$32 million note from Washington Mutual. The mortgage included Orta's building and two others 1040 and 1045 Boynton, on the same block,

Standard procedure for loan underwriting requires a detailed inspection and appraisal of properties to be mortgaged. In practice, however, bankers and housing officials acknowledge, such visits can be as cursory as a quick drive-by, confirming that the property exists and has the most rudimentary required elements, such as doors, roof and stairways.

A visit to the Boynton Avenue properties in 2002 would have been an eye-opening experience for any appraiser or loan officer.

It would have included running the gauntlet of drug peddlers who had long preyed on the block. According to police and federal prosecutors,

the stretch between the Bruckner Expressway and Watson Avenue, where Palazzolo's properties were located, was one of the Bronx's busiest drug supermarkets. It was the turf of a violent drug gang that marketed hundreds of bags of heroin daily to a steady stream of customers. Drug sales were at their peak, officials said, during the same period the banks were making their investment with Palazzolo. Prosecutors said that during a two-year stretch from 2001 to 2003, drug profits on that block would hit \$10,000 per day. Gang members worked in shifts, divided into managers and workers, authorities said. They conducted business from 7 a.m. to midnight, offering packets of heroin stamped with brand names of Diesel, Blue Devil, Budweiser and Warlock.

When a federal judge sentenced the gang's ringleader to 30 years in prison, he noted that the drugs and guns involved in the trade had posed "incalculable risks and damage to people on the streets."

But if there was any calculation of those risks included in Palazzolo's lucrative mortgage deal, it wasn't reflected in his loan documents. By 2000, Corporations based at Palazzolo's headquarters were in control of the three buildings on Boynton. At that time, police reported scores of arrests, many of them inside the buildings mortgaged by Palazzolo. Tenants report that a new management company took over in 2010, but no deed transferring title was filed, and residents say they're still plagued by drug dealing. In November, Orta told of continuing raids by police. "First floor, second floor, fourth floor," she said. "It's horrible here."

Living conditions weren't much better. Orta, who still lives

HOUSE CALLS

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Targeting Tenant Organizers

A landlord's costly lawsuit

In 2002 reports of deteriorating conditions at buildings owned by landlords based at Palazzolo Plaza began filtering into the offices of the Northwest Bronx Community and Clergy Coalition.

The coalition, formed in 1974, helped Bronx neighborhoods stem the tide of economic and physical devastation in the '70s and early '80s. The downside of the revival it helped spur, however, was that renewed private investment in the Bronx's multifamily rental housing also brought a new crop of rapacious landlords. And the crew operating out of 800 Central Park Avenue in Scarsdale quickly became Exhibit A.

"They were bad buildings," says Chloe Tribich, an organizer for the coalition at the time. The problems at a 50-unit apartment house at 15-19 West Mosholu Parkway were typical: Tenants were asking for help with caving ceilings, cascading leaks, broken mailboxes and a severe infestation of rodents.

After the August 2002 fatal fire at 3569 DeKalb Avenue, organizers noted that both buildings were owned by corporations housed at Palazzolo Plaza in Scarsdale. According to Mary Dailey, then the coalition's executive director, a search of property records turned up the huge mortgages obtained by the Palazzolo Investment Group and signed by Frank Palazzolo. Many of the properties included in the mortgages were in similarly dismal shape.

The coalition helped form what came to be called the Palazzolo Tenant Committee. The group held protests outside Palazzolo's palatial home in Westchester County as well as in front of a local branch of Washington Mutual in an effort to get the bank to enforce "good repair" clauses in its mortgages with Palazzolo.

Instead of an offer of negotiations, however, the first response the group received from the landlords was a \$1.5 million lawsuit filed in late 2003 by several of the corporate owners based at Palazzolo Plaza. The suit accused the coalition, along with another Bronx housing group, the Highbridge Community Life Center, of trespassing and spreading "false, misleading, libelous, factually incorrect and defamatory" information about the landlords. Among the false claims, the lawsuit stated, were flyers distributed by the coalition claiming that Palazzolo was an owner of



In 2003, a Bronx housing group protested one lender's connection with Frank Palazzolo. Photo by Jordan Moss.

the buildings. That was a "misunderstanding," the suit held. But the alleged misstatements, the landlords asserted, had caused a refinancing deal with Washington Mutual to fall through, costing them \$450,000.

The landlords had moved quickly. A judge in Westchester County, where the suit was initially filed, had already signed a restraining order barring the coalition's organizers from entering Palazzolo-connected properties and from "interfering in any manner" between the landlords and their bank.

Dailey was stunned. "The fact that we could be constrained from helping our neighbors when their ceilings are falling in or accused of trespassing when we go and

see these conditions or sued as libelous when he's known by the media as one of the worst landlords in the city" was "absurd," she says.

But that didn't mean it wasn't effective. Lawyers for the coalition advised it to back off its organizing in Palazzolo-tied properties. "We were being sued for more than a million dollars," says Dailey. "It was a fairly serious situation."

It wasn't the first time a large Bronx landlord had used the courts to try to fend off tenant organizers. In 2000 the Rosenberg-Diamond Development Corp. accused the Bronx branch of Acorn, the national citizens' advocacy group, of libel, slander and extortion in its campaign to force the

The alleged misstatements, the landlords asserted, had caused a refinancing deal with Washington Mutual to fall through, costing them \$450,000.

owners to repair 49 troubled apartment buildings. In that case, the landlords demanded an even bigger price, \$16 million. They also won a restraining order—but a much more limited one that permitted organizers to enter the buildings as long as they were accompanied by tenants.

That lawsuit had a similar impact. "It had a chilling effect on the tenant organizing," says Heather Appel, a former Acorn worker and one of those named in the suit. "It cost us a lot of time and resources that could have been better spent on other issues we were working on. These are poor people's organizations," she adds, "and these landlords are corporations that can afford to be in court for years and years."

The Acorn lawsuit continued for almost three years. It ended in a settlement deal after a judge upheld the

group's right to examine extensive business records for the company. The deal, says Appel, allowed Acorn to continue organizing in the affected buildings.

The Palazzolo lawsuit went on far longer. Lawyers aiding the coalition, including Ray Brescia, an attorney with the nonprofit legal services group Urban Justice Center, and Wendy Stryker, an attorney at the Manhattan firm Frankfurt Kurnit Klein & Selz, combined to first wrestle the lawsuit out of Westchester and into a Bronx courtroom. They also filed a counterclaim asserting that the suit was simply an effort to stifle the coalition's advocacy. In legalese, they're known as SLAPP suits, an acronym for Strategic Lawsuit Against Public Participation.

Seven days of hearings were held in 2005, during which bank and city officials testified that their actions with the buildings had been taken independently of the coalition. Stephen Tobia, a Palazzolo associate who owned five of the building corporations named as plaintiffs, also testified.

On the stand, Tobia engaged in some Clintonian parsing when asked by Brescia why Palazzolo was signing mortgages listing himself as president of corporations allegedly headed by Tobia.

"This sworn document by Mr. Palazzolo says he is an officer or owner of your properties," said Brescia.

"It doesn't say 'and,' " Tobia responded, "it says 'or.' "

Following the hearings, the landlords dropped their trespassing allegation. A year later, the defamation counts were dismissed. When the coalition's lawyers continued to press their counterclaim, the landlords' attorneys ceased showing up for hearings. In March 2010, a judge awarded \$600,000 in damages to the coalition. An additional \$500,000 in court costs was awarded to the coalition's attorneys last fall. No one, however, has seen a dime of that money, since the corporate entities that filed suit no longer own the properties and have no other assets.

Brescia hasn't given up. "The courts have spoken, and we're going to explore every option to ensure we're going to get it," he says.

Dailey says she thinks the monetary awards and the coalition's vigorous response in court might convince other landlords that they shouldn't be so eager to file suit. "It may be cheaper to make the repairs," she says.

Even though she was the nominal owner of the property, she couldn't tell the lawyer very much at all about the buildings because, as she acknowledged, she'd never been inside any of the apartments.

continued from Page 29

there, estimates that in their years in the apartment, she and her family have spent \$10,000 of their own money repairing the bathroom, floors and walls. "We have to pay someone to come," she says, "or my father does the work, because he's a carpenter." Orta said in February that she was still waiting for building managers to take care of a gaping hole in her living room ceiling that she been complaining about to the super and management since before November.

Most basic maintenance at the Boynton Avenue buildings was left up to the city. Housing department records show that from 2000 to 2004, while the buildings were being run by a corporations based at Palazzolo's Scarsdale's headquarters, taxpayers shelled out more than \$45,000 for emergency repairs. City-paid workers fixed boilers, ordered fuel, replaced floors and installed new windows. City workers even had to replace a front-vestibule door.

The city was also repeatedly compelled to remove lead-paint hazards from apartments with small children. In some cases, it was too late.

Andrew Matias was 7 years old when doctors determined that he had suffered brain damage. A jury later found it was from ingesting lead-paint chips flaking from the walls of apartment 1D in 1045 Boynton Avenue, where he lived from 2000 to 2003. Lawyers hired by Matias' mother to sue the landlord later found a copy of a city department of health order dated October 27, 2000, ordering building managers to "abate the nuisance" of lead paint in the apartment.

Five years later, Alan Konigsberg, the attorney handling the case for the mother, got the young woman who had been serving as president of the building's management corporation—based in Palazzolo's headquarters—under oath to answer questions about the property. Nicole Pignone was just 21 years old when she headed the companies that ran the Boynton Avenue buildings. She said she didn't recall the health department notice but was generally familiar with city rules relating to lead-paint hazards. That was because part of her job included filing required forms with the city's housing department. "We used to receive pamphlets that explained everything about lead paint," she said in a 2005 deposition. But she couldn't recall whether any abatement was ever carried out.

Actually, she couldn't tell the lawyer very much at all about

the buildings because, as she acknowledged, she'd never been inside any of the apartments. She'd visited the Boynton Avenue properties "a few times," she said, and that was only to bring the superintendent his regular pay—in cash. Her own salary, she said, depended on how much monthly rent was collected from tenants.

Even though she was listed as the president of the company, Pignone described her role, like others who worked in the Palazzolo operation, as little more than an employee.

Pignone said she worked out of a one-room office in Palazzolo's complex at 800 Central Park Avenue in Scarsdale alongside several other real estate corporations. She got the job through her father, Nicholas Pignone, who also ran several other Palazzolo-tied firms. She had no background in real estate, she said, other than having done secretarial work for her dad. She acknowledged that she was president and one of two stockholders in a series of management firms, all of them called WDJ Realty with a succession of Roman numerals after their names. For instance, WDJ Realty IV managed 1040 Boynton Avenue; WDJ Realty V managed 1045 Boynton.

But she didn't recall whether she paid anything for her shares and said she received nothing for them when she left the business in 2004 to become a drapery saleswoman. Asked whether she'd had any conversation with anyone from the company before she came to be its president, she drew a blank. "I don't remember," she said. Actual ownership of the properties was another mystery. "Well, the corporation is the owner," she offered.

In 2008, Andrew Matias' lead-paint case went to trial in the Bronx, where a jury awarded him and his mother \$8.5 million in damages. Not that it did them much good. Despite the mortgage contract requirements, attorneys for the corporations said there was no insurance policy in force at the time of the injury. Nor was there anything else of value. By the time Matias and his mother moved to collect, the WDJ corporations had shed the Boynton Avenue properties and had no other assets. Konigsberg, the attorney, managed to seize a few thousand dollars remaining in one bank account, but that was it. Frank Palazzolo, whose name appeared only on the mortgage documents, was well beyond reach.

A RAT BITE IN THE DARK

The “phantom landlord” scenario repeated itself at several other buildings in the Palazzolo portfolio where abysmal conditions were endured by residents in spite of the massive property loans. One of them was a five-story apartment house about a mile from Yankee Stadium in the Bronx’s Morrisania section. The building, 465 East 167th Street, was part of the same roster of properties approved for the \$32 million loan by Washington Mutual in 2002. That year, city housing inspectors flagged 318 violations at the building, according to court documents, even though it had only 23 apartments on five floors.

The property was owned and managed by a company called Pipe Dreams Realty, also based at Palazzolo’s Scarsdale headquarters. As at the Boynton Avenue buildings, records show the city was forced to handle the big jobs: City-paid crews replaced collapsing bathroom ceilings and floor joists, cleared toilet stoppages, repaired kitchen floors and installed new treads on the fire escape. Repair workers made more than two dozen visits, at a cost of thousands of dollars, to test and remove lead paint from apartments where small children lived. In all, taxpayers paid almost \$70,000 for emergency repairs at the building from 2000 to 2008 while it was owned by the company based at Palazzolo’s headquarters.

Even those expenditures didn’t keep tenants safe. On April 13, 2002, a rat scurried in at 2 a.m. and bit a woman named Mary Phoenix as she slept in her bed in apartment 12. Phoenix, 56, had lived there for 32 years, so she wasn’t unfamiliar with the building’s problems. But the rodent attack held a special terror for another reason: She was blind.

“It came over my head from the head of the bed and bit my finger,” she said in a 2005 court-ordered deposition after she found a lawyer who filed suit. Phoenix said rats had plagued her apartment for years, darting from behind the kitchen sink. On another occasion, she testified, one bit her daughter. Exterminators came “once in a blue moon,” she said, but would only toss a bag of poison in a corner and be gone.

In frustration, Phoenix testified, she wrote a letter to Pipe Dreams Realty complaining about the rodents. She said she got no response. She also called the city for help. “I was calling them, and sometimes they fix things when the landlord won’t do it,” she said.

Attorneys representing Pipe Dreams Realty filed their own court papers describing the injury as an “alleged rat bite” resulting in “a superficial laceration.” But as in the Boynton Avenue lead-paint litigation, questions about who actually owned and ran the building produced only muddled answers.

At the time of the rat bite incident, a woman named Patrice Santangelo was listed as both chairman of Pipe Dreams and managing agent for the property. Like Nicole Pignone, Santangelo had only the vaguest knowledge about the property for which she was responsible. How had she come to be the owner? “I think that I was passing by the building, and I met

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people in the lobby,” she responded under oath in a deposition. If so, it was one of her few visits there.

She spent her workdays handling secretarial chores in another office at Palazzolo’s Scarsdale complex, visiting the Bronx property “a couple of times,” she said. But she had no memory of receiving violation notices from the city and knew nothing about the massive mortgage that Palazzolo had taken out, one that included the property she ostensibly owned.

Asked if Palazzolo had been an officer of Pipe Dreams, Santangelo said she had no idea. “I don’t know how any of the corporate setup was,” she said. Palazzolo came to the office “from time to time,” she said, but she was hazy about his exact role: He was “doing the financing, part of the building or something like that,” she said.

Santangelo said she called it quits in 2003 because, among other reasons, she wasn’t making any money. “After I paid the bills, if there was anything left in the checking account, which there never was, I was supposed to be paid,” she said in her deposition. “We kept losing money.”

She said she spoke to Palazzolo about wanting out, and not long afterward, a man named Marc Sarfati walked into her office. “He said, ‘Maybe I can take over what you’re doing,’” she testified. The deal she struck, she said, was that Sarfati would eventually pay her for her shares in the corporation if



Inside another of the buildings owned by corporations linked to Palazzolo.

the building turned a profit. According to a deposition he gave, Sarfati acknowledged that was the deal, adding the price was to be \$50,000. But both acknowledged no money was ever paid.

Real estate management was also new to Sarfati: His prior business was running a delicatessen. But inexperience didn't much matter. Sarfati, who described himself as a friend of Palazzolo's in his own deposition, acknowledged that he never even visited the building once he became an officer of Pipe Dreams in 2003. Nor was he aware of the flood of code violations issued by city inspectors.

Sarfati told Phoenix's attorney that he served as president of Pipe Dreams, while another friend, Mark Bassani, was vice president. For a rookie landlord, he had a lot of management responsibilities: Records show Sarfati and his wife Edith were at one time listed as officers of at least a dozen other corporations owning buildings in the Bronx. But when asked in his deposition, Sarfati described his day-to-day role only as "office coordinator." And as for obtaining any compensation for Phoenix, he told the lawyer they were out of luck. In an affidavit filed in the court case, Sarfati stated that—despite the language in the \$32 million mortgage obligating all properties to be insured—there was "no liability insurance on the building known as 435 East 167th Street."

Phoenix's attorneys, Joseph and Andrew Fallek, took one more stab at tying Palazzolo—and his deep pockets—directly to the property. In legalese, it's a tactic called piercing the corporate veil, in which a judge is asked to hold an individual personally responsible

for corporate misdeeds on the grounds that he had used the corporation to hide his own involvement.

Citing the big \$32 million mortgage with Palazzolo's name and signature all over it as evidence, Fallek made his pitch in a 2007 motion: Pipe Dreams Realty, he stated, was "a sham corporation." The real owner, he said, was Palazzolo. And the East 167th Street building had been kept highly mortgaged and uninsured, he claimed, as a means of preventing people just like Phoenix from "collecting damages against the corporation or building."

Palazzolo's attorney fired back. This was simply an effort to "harass, coerce and strong-arm" his client, he stated in his motion papers. Palazzolo, he wrote, "has no personal ownership or involvement in the maintenance of this building."

But the legal showdown never took place. Phoenix died, and her lawyer moved on. Palazzolo declined to discuss anything about his real estate practice with reporters for this article.

As for Sarfati, he now lives in a luxury high-rise on Manhattan's West Side. He and his family have another, very different claim to fame: daughter Lea Michele is the star of the hit TV show *Glee*. He and his wife have been cited on gossip websites alongside their famous daughter, but he wasn't interested in discussing his real estate experience. In November, outside his residence, Sarfati paused to listen to a request from two reporters to discuss his dealings with Palazzolo. He shook his head. "We ended on bad terms," he said before walking away.



1040 Boynton Avenue, a building owned until recently by companies linked to Frank Palazzolo, sported 210 housing code violations at press time. Photo by Marc Fader.

A Question of Control

Regulators and tenants push for answers

New York City housing officials were just as puzzled—and frustrated—as the personal-injury lawyers about Palazzolo’s role in the properties. For the agency, it was an even bigger headache, since it had to figure out how to address Palazzolo’s sprawling and increasingly troubled real estate operation.

When Palazzolo first popped up on the radar of the Department of Housing Preservation and Development in the 1990s, he was just another small landlord, a hands-on owner trying to turn a profit with a handful of buildings. He’d had some problems with heat and hot water complaints from tenants, but he seemed cooperative and responded to orders to fix things up.

It wasn’t until late 2003, says Harold Shultz, the agency’s former top code enforcement troubleshooter, that the scope of Palazzolo’s control in scores of ailing residential apartment houses became clearer. The first alert came from leaders of the Northwest Bronx Community and Clergy Coalition, an assembly of citizen activist groups formed in the 1970s during the years of owner abandonment and bank redlining. Organizers from the coalition kept stumbling across Palazzolo’s name as they talked to tenants trying to cope with devastating conditions in their homes. Even more startling, after they began organizing meetings in the buildings, the

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The Jiggets Was Up

Fake evictions and real trouble for landlords

Even before tenant organizers and housing officials began warily eyeing Frank Palazzolo's real estate operation, a different investigation was already wrapping up. In March 2002, two landlords operating out of Palazzolo's Westchester headquarters pleaded guilty to criminal charges stemming from a scheme to pad rent rolls with emergency welfare payments intended to benefit their tenants.

One of the landlords was Eric Gladstein, who until early 2002 was an owner of 3569 DeKalb Avenue, where 8-year-old Jashawn Parker died later that year. The other was a woman named Deborah Pollock who admitted to orchestrating an elaborate scam that funneled extra cash into owners' coffers.

The funds were awarded to the landlords for an ostensibly worthy cause: Under a rent supplement program known as Jiggets, for a 1988 legal case that claimed the low rent subsidies paid to welfare recipients were fueling the rise in homelessness, owners were given increased payments—often as much as double the existing rent—for tenants facing eviction.

In the scam version, however, landlords filed bogus eviction notices, which were then expedited by Pollock, who ran a nonprofit organization with a presence in Bronx Housing Court.

Pollock was well-poised to pull this off. She had close ties to top officials at the city's Human Resources Administration, which oversees welfare programs. She was also 50 percent owner of two run-down Bronx apartment houses managed from Palazzolo's Westchester offices and owned under the name of Palazzolo Management Corp.

Pollock and Gladstein's roles were explained in a little-noticed 23-page report issued in April 2002 by the state's welfare inspector general titled "Defrauding HRA." Investigators, the report stated, identified 69 fraudulent Jiggets applications submitted by Pollock on behalf of Gladstein and other landlords dubbed by investigators as the Palazzolo Group because they shared office space at the Westchester headquarters. All told, the landlords collected more than \$11.3 million in the rent supplement money, even though their buildings were "replete with

poor and unsafe conditions," the report stated.

The scheme, investigators wrote, made tenants "pawns of landlords," who moved them into the Jiggets program only in order to hike rents collected from the city. At the same time, the owners faced some 15,700 city housing code violations in at least 59 buildings where the scheme was employed, according to the inspector general's tally.

Meanwhile, tenants "were denied their day in court," the report stated, since they never got the chance to argue "that their landlords should make needed repairs before Jiggets increases were paid."

But like the rest of those who tried to untangle exactly how things worked inside Palazzolo's headquarters, the investigators came up short. When they attempted to interview Frank Palazzolo about his business dealings, they wrote, "he declined to answer our questions."

Current state welfare inspector general Sean Courtney, who authored the report and helped direct the prosecution of Pollock and

Gladstein, told us that Palazzolo was polite but silent. "We made an attempt to depose him," Courtney said. "He asserted his Fifth Amendment rights and refused to answer questions."

State attorney general Eliot Spitzer, whose office helped press the criminal case at the time, called the scheme "as cynical a crime as you can possibly imagine." But neither Pollock nor Gladstein received jail time. Pollock was sentenced to a three-year conditional discharge plus 1,000 hours of community service and \$100,000 in restitution. Gladstein was ordered to pay \$40,851

A few years later, however, New York City's corporation counsel brought civil racketeering charges against Gladstein and Pollock, arguing that their fraud had short-changed the city. In March 2006, they were found liable and ordered to pay \$215,000 in damages. Court records show they anted up as ordered. It didn't put any obvious dent in Gladstein's lifestyle, however. Reporters found him walking outside his massive home in Armonk protected by large iron gates. He declined to discuss anything about his real estate practice with us. Pollock, who later moved





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owner—a company named Palazzolo Holdings II Corporation—filed a \$1.5 million lawsuit accusing them of interfering with the company’s financing. (See “*Targeting Tenant Organizers*, page 30.)

To better understand what they were up against, the organizers turned to the city housing agency, where they met with Shultz and others. An old hand at dealing with crafty landlords, Shultz says he’d never seen a real estate operation like Palazzolo’s. On the one hand, there were the ownership and management corporations, each listing different individuals as controlling officers, almost all of them based at the same headquarters in Westchester County. On the other, there were the massive mortgages for those same properties in which Palazzolo had declared himself president of the corporations that owned the buildings.

Shultz and Commissioner Jerilyn Perine took advantage of a new law that allowed them to do their own corporate veil piercing. In March 2004, they sent a lengthy subpoena to Palazzolo demanding records for 101 large residential properties in which they believed Palazzolo had an interest. The subpoena asked for information on 97 corporations and 31 individuals whose names were listed as either owners or managers, along with anything that might shed light on how things actually worked inside Palazzolo Plaza: stock and incorporation certificates, tax returns, management contracts, partnership agreements, stock pledges and any checks made out to, or endorsed by, Palazzolo or his family.

Two weeks later, an attorney for Palazzolo named Lawrence Gottlieb responded to the subpoena. They would supply records, the lawyer wrote, proving “that Mr. Palazzolo does not maintain ownership, management and/or control” of the properties and corporations.

The housing agency eventually received a large box from the landlord’s attorney. Among other records, it included a thick stack of documents titled “Pledge Agreement” or “Irrevocable Proxy Agreement.”

They made for interesting reading. Obtained for this article under a Freedom of Information Law request, the pledge agreements show that in exchange for unspecified loans (the amounts were redacted by Palazzolo’s attorney as “proprietary” information) Palazzolo had the power to exercise control of all the corporations that owned the ailing buildings.

For instance, the proxy agreements gave Palazzolo voting rights that allowed him to vote all shares at meetings of the corporation. Dated December 2003, they were retroactive to whenever stockholders became owners of their shares. The proxy agreements also appointed Palazzolo “director, president and secretary” of the corporation.

Housing officials who examined the documents were amazed. The real estate operation was organized like a McDonald’s franchise: Palazzolo was in control of major financing decisions, while corporation officers acted like local franchisees, handling management of the individual buildings.

Cynthia Orta, who lives in a building on Boynton Avenue, says serious maintenance problems persist. Photo by Marc Fader.

In the abstract, Palazzolo's real estate system wasn't such a bad idea. It offered an economy of scale by allowing bulk purchases, provided experience for new landlords in running properties and allowed a seasoned professional to handle the bank financing.

Further detail of Palazzolo's novel management system was provided months later when one of Palazzolo's associates, a man named Stephen Tobia, testified during a hearing in the lawsuit brought against the community groups.

Tobia, whose own corporations were listed as the plaintiffs in the case, acknowledged that Palazzolo helped with purchasing supplies and obtaining financing for the properties. Mortgage payments were made from a pool into which individual building owners contributed. "Who had control of that account?" Tobia was asked. "Frank Palazzolo," he replied.

Pressed as to what Palazzolo's actual role was in the properties, Tobia hedged. "He is not a manager in the respect of the everyday workings of it," he said. "He told the bank he would oversee, if necessary, in a managerial, you know, capacity, if needed."

A COURTROOM ACCOUNTING

A much clearer description of that technique was presented a few years later when Palazzolo himself took the witness stand to tell his story in a different case.

The occasion was another lawsuit alleging that a baby had suffered brain damage from flaking lead paint in yet another ailing apartment house covered under one of Palazzolo's massive mortgages. Tenant Atara James said she had complained repeatedly to the managers of 422 East 178th Street about peeling paint, holes in the walls and leaks in her apartment. Getting no response, she withheld her rent, only to be sued by the landlord for nonpayment. In Housing Court, the matter was settled when representatives of the Loran Realty V Corp. agreed to make the needed repairs. But

it was an empty promise, a court ruling indicates. Building owners ignored that order as well as another from the city's department of health to fix things up, a judge later found. A contractor from the city was dispatched to make the repairs.

But the damage was already done. James' daughter, Kayla, was diagnosed in November 2001 with an elevated level of lead in her blood. A lawsuit was filed in 2002 against the landlord, but James and her lawyer were quickly informed by the owner's attorney that they too were out of luck: Loran V was uninsured and mortgaged for more than the value of the property. Even if they were able to prove liability, there was "no possibility of recovery."

Once more the mortgage document showing where Palazzolo had listed himself as president of the Loran corporations was presented to the court as evidence of his involvement. This time, a court gave an initial green light to proceed against the wealthy real estate operator.

Palazzolo's attorneys vigorously contested the claim, and the matter didn't make it to a courtroom until 2009. When he finally testified at the nonjury trial in Bronx Supreme Court, Palazzolo outlined his general business practice. He explained that after several years of owning and operating buildings, he'd decided to bring friends and family into the real estate business. He said he used his own expertise to find properties that would generate income through "rehabilitation and careful management," as the judge stated in his decision. His own profit, Palazzolo said, came via finder's fees that he charged these friends for identifying the property, forming corporations to take title, closing on the purchase and obtaining the financing. He said his practice was to then step out of the ownership corporation "and not participate in management of the property in any way."

He would also lend money to these owner-operators as needed, charging a hefty 12 percent interest rate. The loans were recorded as promissory notes secured by pledges of stock and proxy agreements, presumably similar to those delivered to city housing officials under subpoena. But unless someone defaulted on a loan, the pledges were never exercised, and once the notes were paid off, they were canceled.

Loran and many of the other corporations were housed at his Scarsdale headquarters, he said, where they paid unspecified rent for space as well as such office needs as fax machines and copiers.

This was the way things had worked with 422 East 178th Street, Palazzolo testified, when he had helped some friends buy the building back in 1998. When property values increased a few years later, he'd "used his relationships and experience" to package it and 32 other buildings into one big loan. The proceeds of the financing, he said, had gone "in large part" to pay off existing mortgages, taxes and suppliers. He also took out any remaining finder's fees and loans still due to him from his friends and associates.

Carmine Donadio, one of the officers of Loran V, also

testified at the trial. He said he was a high school graduate who had worked as a painter and was introduced to the real estate business through another relative who had a similar deal with Palazzolo. Like many of Palazzolo's recruits, he had no prior experience and only a hope to "make a living and profit from the deal," as the judge stated.

Bronx Supreme Court Justice Stanley Green issued a 17-page decision at the end of the trial. He declined to express an opinion as to whether Palazzolo had actually controlled the property. But he said that even if Palazzolo had at some point been the one calling the shots, there was no proof of intentional fraud on his part. James' attorneys brought the case to an appellate court, and last June a panel of five judges put things a little more strongly: "While plaintiffs may have demonstrated that defendant Palazzolo exercised complete domination and control over Lorán V, they have also failed to show that Palazzolo's actions were for the purpose of leaving the corporation judgment-proof or that his actions amounted to a wrong against them."

Attorneys for James say they plan another appeal, but it's a long shot.

THE SECOND-WORST BUILDING IN THE CITY

Actually, in the abstract, Palazzolo's real estate system wasn't such a bad idea for running large multifamily apartment buildings. It offered an economy of scale by allowing bulk purchases, provided experience for new landlords in running properties and allowed a seasoned professional like Palazzolo to handle the bank financing. It might have worked, if only it had produced decent housing for residents. Except that it somehow resulted in the exact opposite.

The starkest example—one that even surpassed the dismal state of affairs on Boynton Avenue and East 167th Street—was another Palazzolo-linked property at 2710 Bainbridge Avenue. Located just off East 196th Street, not far from Fordham University, the six-story building has 56 apartments. By 2010 it had accumulated an astonishing 1,048 code violations. They included buckling ceilings, broken windows, leaking pipes and a vast infestation of rodents and other vermin. A survey that year by Public Advocate Bill de Blasio ranked 2710 Bainbridge as the second-worst building in the city.

It managed to achieve that status despite being one of the 32 properties financed under the \$35.8 million mortgage from the Dime Savings Bank that Palazzolo obtained in 2000. At the time of the mortgage, the listed owner was Palazzolo Realty IV Corp., located at the Scarsdale headquarters. By 2004, a relative, Brian Palazzolo, was one of three listed stockholders; in 2007, the corporation's name was changed to Semper Fi Realty IV.

Records show the city was forced to make more than 200

separate emergency repairs at the building from 2002 to 2010. The bill—still outstanding at press time—came to more than \$200,000. It covered everything from repairing leaking bathroom pipes to replacing apartment windows and fixing a broken furnace and—as at the other properties—extensive removal of lead paint.

A stab at intervention came in November 2008, when city housing officials placed the property in a special enforcement program aimed at the city's worst buildings. It gave the landlord a time limit for making repairs. Palazzolo's associates insisted they'd take care of things but then blew right past the deadline, officials said. When city repairmen were dispatched to do the work, they were refused entrance to the property. City lawyers had to obtain court orders to be allowed inside.

But even those efforts couldn't keep up with the deterioration. On May 3, 2009, a 49-year-old tenant on the first floor named Peggy Vargas awoke at 7 a.m. in terror as she watched her bedroom ceiling collapse on her. The falling plaster broke her shoulder and damaged her spine, according to a lawsuit she later filed.

Like others brought against the Palazzolo organization, the lawsuit—still ongoing—bogged down in the search for responsible parties. But enraged tenants at 2710 Bainbridge began withholding their rent in protest against conditions there. One of the leaders of the protest was Olga Tatis, a 20-year resident, whose two sisters also lived in the building. "We were living in bad conditions with hoodlums," she says.

In Bronx Housing Court, lawyers for the tenants argued that owners needed to be replaced by an outside administrator under the city's 7A program, which puts troubled multifamily buildings in a kind of legal foster care. "It is rare to see conditions as severe as in this building," said Garrett Wright, an attorney from the nonprofit Urban Justice Center, at an April 2010 press conference with tenants.

In their application, 29 of the building's tenants detailed their day-to-day living conditions: "Rat caves, no hot water, bells/buzzer do not work," wrote a fourth-floor resident. "Electric wiring exposed," stated someone on the fifth floor. "Ceiling falling," wrote a sixth-floor tenant.

The judge on the case, Jerald Klein, decided to visit the building himself before deciding. Right before his tour, tenants say, the landlord made some quick cosmetic repairs. "They came and repaired the entrance with some fresh cement," recalls Franmylia Diaz, Tatis' sister. She says the judge even commented that the fix-up "was made for my visit." Tenants thought the judge seemed shocked by the conditions, at one point saying he feared floorboards in one of the apartments might give way beneath him. But the judge later ruled that the landlord deserved more time to make repairs.

That was good news to Shawn Curry, a 64-year-old carpenter

BRONX TALES

Coverage of the borough
www.citylimits.org/magazine

Violation Explanation

Who polices NYC property?



There are 3.3 million apartment units in New York City and the buildings that house them are subject to inspections from an array of agencies.

There are 3.3 million apartment units in New York City, and the buildings that house them are subject to inspections from an array of agencies.

The **Department of Housing Preservation and Development** has about 300 inspectors who enforce the **Housing Maintenance Code** and New York State **Multiple Dwelling Law**, as well as look for compliance with health regulations on bedbugs and window guards.

HPD inspectors issue three classes of violations. **Class A** are “nonhazardous” and include issues like minor leaks. Owners have 90 days to correct them. **Class B** are “hazardous” and cover problems like malfunctioning self-closing doors and the presence of vermin. There’s a 30-day grace correction period for these. **Class C** violations are “immediately hazardous” and include rodents, lack of heat and gas problems. Owners are supposed to correct these within 24 hours. Fines are levied by Housing Court, and penalties for Class C

violations can, for repeat offenders, reach as high as \$1,000 a day.

If a Class C violation is not corrected within a day, HPD can repair the problem and **charge the owner**. The city spent \$21 million on such repairs last year, and it has **begun selling liens** against the amounts owners owe. In one sale last year, the city recouped 80 percent of the overdue money outstanding at that point.

The **Department of Buildings** enforces the **Zoning Resolution**, which regulates what kind of buildings and building uses are allowed on a particular piece of land, and the **construction codes**, which include the city’s building code and plumbing code and prescribe how buildings must be built and repaired. The DOB’s 330-odd inspectors write DOB violations, which are administrative in nature and do not carry fines.

More serious construction code violations go to the **Environmental Control Board**; these are categorized in classes. **Class 1** violations

are “immediately hazardous” and include things like failure to maintain a building wall. **Class 2** violations are “major”; failing to grant inspectors access is a Class 2 violation. **Class 3** violations are “lesser” and include violations like having a fence that is too high. Violations issued by the ECB are punishable by fines of up to \$25,000. The fire department and **Department of Sanitation** can also write ECB violations.

The **fire department** has a team of 379 fire protection inspectors who enforce the **fire code**. Last fiscal year, they conducted 174,000 inspections, although that number includes businesses and other structures as well as residences.

The **Department of Health and Mental Hygiene** inspects apartments for **lead paint** hazards but during those visits also looks for window guards, mold, rodents, smoke alarms and carbon monoxide detectors.

—Jarrett Murphy

Frank Palazzolo, seen here with his wife Mary, receiving an award from Salesian High School for his philanthropy. Photo courtesy of Salesian High School.



and budding landlord who agreed to take over the building's management company in April 2010, after Palazzolo's associates decided it was time to get out. Curry says his first day as manager began with a trip to Housing Court, where he was confronted by residents angrily demanding repairs. Curry initially resisted tenant demands as well as city enforcement efforts. But he said he quickly came to understand their anger at the miserable conditions they had endured.

"They were right," he told us in an interview last fall as he stood in the building's now renovated basement. "They were paying rent. They deserve a service." Asked about how things had gotten so bad, he made no excuses for the prior owners. "It's just, basically, there was no maintenance done for years," he said. "I mean nothing."

Curry, who moved to New York from Ireland in the '80s, declined to criticize Palazzolo directly and credited him with advancing him funding to get his own repairs going. But he said he had been "a bit blindsided" when he bought the property. "I am not a good paper guy," he said.

In the months after he took over, Curry began moving through the building making repairs, engaging a crew of up to 20 workers to tackle the project. He repaired the leaking roof, cracked ceilings and damaged walls, and began installing new plumbing. His work won the respect of many tenants, including Rolando Chambers, whose wife was part of the group that had asked the Housing Court for an outside administrator. "This is one of the best buildings in the neighborhood," Chambers said with pride in December.

As of January, city records showed that the number of violations in the building had fallen to 126—far from good but a vast improvement over the worst of the Palazzolo era.

Garrett Wright, the tenants' attorney, noted that it wasn't until the tenants took their complaints to court that things began improving. "It took that kind of threat and action of the tenants and organizing work to get them to come to the table," he says.

EXIT FROM THE BRONX

The departure of the Palazzolo group from 2710 Bainbridge was part of what seems to have been a general exodus by the Westchester-based operator from Bronx properties in recent years. Real estate records show that the transfers began at around the same time that city officials began closely scrutinizing Palazzolo's operation. They picked up steam after the Northwest Bronx Clergy and Community Coalition handed his lawyers a major defeat in court after they tried to bar organizers from their buildings.

Not that Palazzolo and his associates made out badly. Many properties—still in wretched condition—were sold for high prices to outside investment funds just before the market collapsed in late 2008. Like the rookies Palazzolo recruited to join him in the real estate business, those funds also had no experience in the field of managing troubled multifamily apartment houses. But they were a great deal richer. At least eight Palazzolo-connected properties were sold to something called the Ocelot Capital Group, a now defunct firm funded primarily by an obscure Israeli company. City officials suspected that the owners never even saw the decrepit buildings before they purchased them. Ocelot quickly ran into its own management problems and sold them off at a loss after the real estate bubble burst.

Although ownership remains murky, real estate records suggest that less than two dozen of the 100-plus buildings cited by the city housing agency in 2004 remain in the hands of Palazzolo or his associates.

Yet some bankers remain wary of again becoming entangled in his web of corporations. "He was like a behind-the-scenes kind of guy," says New York Community Bank's Giovinco. "You have to have a team of lawyers drill down as far as you could to make sure he wasn't involved in a building," he says. "You want to make sure he's not in there anymore."

Licenses for Landlords?

New thinking on how to enforce housing rules



The Bronx building where Jashawn Parker died in an electrical fire had 387 housing code violations. The most serious were even ordered fixed by a Housing Court judge 14 months prior to the tragedy, but he was ignored.

That was just one bad building in a web of dozens that were connected to one real estate tycoon and thousands owned by others that threaten tenants throughout the five boroughs. University Neighborhood Housing Program, a Bronx nonprofit, keeps a close eye on the health of the housing stock citywide through its online Building Indicator Project. Last

year, factoring in housing code violations and financial warning signals like liens, it reported that in 2010 there were 3,395 properties in distress citywide. In the Bronx, 1 in 10 multifamily dwellings are on the critical list.

The recent bursting of the private-equity bubble added to the problem, leaving whole portfolios of buildings coming apart at the seams. A single, 10-building portfolio controlled by the Milbank group became notorious for racking up 4,000 violations before the city, with the help of housing groups, stepped in to broker a sale of those Bronx properties to a more responsible owner. That episode spurred the city's housing agency to create the Proactive Preservation Initiative, which in 2011 reviewed 500 troubled properties as candidates for ongoing monitoring, roof-to-cellar inspections and litigation.

That effort and others like the Alternative Enforcement Program, which scrutinizes and applies the agency's inspection and enforcement tools to 200 problem buildings highlighted by local officials and community groups, are powerful new arrows in HPD's quiver.

But is there a way to pressure problem-prone owners

The building where Jashawn Parker died in 2002 transferred from owner to another. But at press time it still had 100 housing code violations. Photo by Marc Fader.

to maintain their buildings in the first place? And when some of the worst buildings inevitably fall through the cracks and threaten tenants' health and safety, what would make the appointment of outside administrators more likely?

Part of the problem—as indicated below—is that tenants and other advocates have had a hard time agreeing on winnable solutions. As a result, nothing changes. But City Limits explored three policy ideas being considered by advocates and elected officials to address this systemic problem.

LANDLORD LICENSING/PERMITTING:

How it could work: City Council legislation reportedly in the works would give a city agency like HPD vetting power to determine whether an owner has a good record before granting a permit or license to purchase a property. Owners buying distressed properties would also be obligated to rectify issues before getting a permit. A similar licensing program is already the law in Buffalo and Philadelphia, where unlicensed owners are legally barred from collecting rent.

Making the case: The measure would prevent landlords of troubled buildings from acquiring new properties. “For you to buy a hot-dog cart in New York City, you have to get a license,” says Dina Levy, director of organizing and policy at the Urban Homesteading Assistance Board. “But you can buy a thousand-unit apartment building with no proof of qualifications and then proceed to ruin the building.” The change in policy wouldn’t need approval from the state legislature, where most pro-tenant measures go to die.

Voicing concerns: Harold Shultz, a senior fellow at the Citizens Housing and Planning Council and a former HPD official, believes it’s unlikely that New York City agencies would have the capability to regulate such a large operation. “Even if no one tried to cheat on this and they just simply didn’t get licenses, what do you do then?” Shultz says. “Is the city going to take over a couple thousand buildings and run them? Are tenants of those buildings going to be told they don’t have to pay rent? I understand the threat, but [if] nobody pays rent, no violations get fixed.”

Status: City Council speaker Christine Quinn’s office is reportedly looking closely at the proposal, with an eye toward legislation.

ADMINISTRATIVE TRIBUNAL

How it could work: Rather than being handled in Housing Court, housing violations would be under the jurisdiction of

either a new administrative tribunal or an existing one, like the Environmental Control Board, where landlords would be required to pay fines and ordered to fix violations. A tribunal system would remove the process from an already inundated Housing Court, which also sorts out arguments over rent and a range of other landlord-tenant disputes, and allow for the individual assessment of each violation issued by HPD. Such a system, say proponents, will hold landlords accountable for every violation issued to their buildings and will require them to take action to remedy the problems.

Making the case: When a housing violation is issued, “it’s put on the shelf until the building becomes a problem,” says Shultz, who says he’s been pushing the tribunal idea for 30 years. “A penalty is assessed at the time of the violation for everything else.” For example, New Yorkers who blast their car stereos or mix recyclables with regular trash can be hit with a summons, and the city stays on top of violators until they pay up. Jim Buckley, executive director of University Neighborhood Housing Program in the Bronx, also supports the concept. “Housing violations affect quality of life,” he says, “and yet they’re less enforceable than parking tickets.”

Voicing concerns: Advocates of the general concept say the Environmental Control Board, which currently administers summonses under the city’s zoning and housing code, doesn’t currently have the capacity to deploy inspectors to make sure repairs are made.

“The ECB has been good at issuing point-of-fine violations,” which only require a payment from the responsible party, says Benjamin Dulchin, executive director of the Association for Neighborhood and Housing Development. “But they have been less good with actionable violations.” In other words, to make buildings safe and livable, landlords need to make repairs, not just pay a fine, and that could require more inspectors.

Status: There is no legislation currently being considered on this approach, but advocates believe the city could just implement the plan administratively.

PUTTING TEETH IN THE 7A PROCESS

How it could work: State law would be amended to increase the odds that Housing Court judges will appoint outside administrators to temporarily take over neglected buildings.

Making the case: State law currently says only that landlords must act with “due diligence” when violations are recorded, according to Bronx assemblyman Jeffrey Dinowitz, who

PROS AND CONS

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Former HPD official Harold Shultz advocates the creation of a new administrative tribunal for handling housing code violations—one that would bypass the delays that characterize Housing Court. Photo by Marc Fader.

When some of the worst buildings inevitably fall through the cracks and threaten tenants' health and safety, what would make it more likely for outside administrators to be appointed?

has backed a bolstered 7A process since Jashawn Parker's death. "People shouldn't forget that maybe that child might not have been dead if the landlord made repairs that he was supposed to make," he says. A tweak to housing law could counter what appears to be a judicial bias toward protecting property rights even in the face of the most serious building hazards.

Voicing concerns: Even under a strengthened 7A law, tenants' and landlord's fates would still depend on which judge got their case. Giving judges a broader set of tools is one thing; getting them to use them is another. Some judges might still be reluctant to aggressively pursue landlords.

Status: Dinowitz introduced legislation making this change in 2002, and it has been passed by the Assembly, but the fact that most advocates we spoke to hadn't heard of the bill suggests there's little chance it will pass the Senate and become law anytime soon. —By *Daniel Rosenblum, Matthew Perlman and Jordan Moss*