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Pryor Cashman Aids Landmark Co-Op Settlement With NY AG

By **Natalie Rodriguez**

Law360, New York (November 13, 2015, 7:57 PM ET) -- New York Attorney General Eric Schneiderman announced a settlement Friday with a Pryor Cashman LLP-advised Manhattan apartment building owner that was the first to ever face a lawsuit threatening judicial dissolution of an owner's housing cooperative over alleged tenant protection law violations.

Under the settlement terms, Ft. George Apt. Corp. and its affiliated entities will give all the tenants of its Washington Heights building the opportunity to ink new rent-stabilized leases. Further, the owner may either convert to a limited equity housing cooperative in the future or restate its existing cooperative plan to allow tenants to purchase their apartments at a 25 percent discount to market rates.

The New York attorney general's office had sued the Ft. George entities in January for allegedly taking advantage of the cooperative structure, which is meant to promote homeownership, by holding all the co-op shares to rent out the apartments at market rates. The 44-unit building had been rent-stabilized before being converted to a housing cooperative in 1987.

The case marked the first time the AG sought to use dissolution powers to break up the co-op arrangement so as to enforce tenant protection laws.

"Today's settlement is yet another example of my office fighting to protect tenants being improperly deprived of affordable housing," Schneiderman said in a statement. "This settlement not only provides rent stabilization protections to the tenants in this building, but promotes homeownership. My office is not afraid to use all of the legal tools available to ensure that New York tenants and homeowners alike are protected."

Ft. George, however, had purchased the shares of the building only about two years ago and was the original long-term holder that had purchased back the shares after turning the building into co-op to make it a market rate rental building, Ronald B. Kremnitzer, a Pryor Cashman attorney representing the building owner, told Law360.

Kremnitzer considers the settlement a win-win for the state, tenants and owners, which will continue to operate the building under both cooperative and rent-regulated structures. "This was a great deal," he said.

It may also serve as a precedent-setting.

While it is rare for a sponsor building owner to own all 100 percent of a cooperative, there are many owners across New York that have bought majority shares — as much as 80 or

90 percent — of a co-op that was once rent-stabilized.

“I think this is an eye-opener because the attorney general’s office now is saying this is wrongful,” Kremnitzer said.

But the deal with Ft. George, which has also agreed to work with city agencies to provide below-market financing to tenants interested in purchasing their apartments, may provide a framework for how the state may be able to work out deals with other building owners.

“We set [the settlement] up in way that they can try to use this as a model in other building negotiations,” Kremnitzer said.

Ft George is represented by a Pryor Cashman LLP team led by Ronald B. Kremnitzer, co-chair of the firm’s real estate group. The team also includes partners Todd E. Soloway and Joshua D. Bernstein and associate Jared D. Newman.

New York is represented by Erica Buckley, bureau chief of the real estate finance bureau of the New York attorney general’s Office, Assistant Attorney General Richard J. Shore and Executive Deputy Attorney General for Economic Justice Karla G. Sanchez.

The suit is *Schneiderman v. Ft. George Apt. Corp.*, case number 450049/2015, in the Supreme Court of the State of New York.

--Editing by Edrienne Su.

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