**ASKED & ANSWERED** Tina Brown on hosting "Woodstock for women" PAGE 11


# CRAIN'S
NEW YORK BUSINESS

CRAINSNEWYORK.COM | APRIL 8, 2019 | $3.00


**ROBO GARAGES**
The future of parking
PAGE 3

SPECIAL REPORT

# GAMING THE SYSTEM

## Landlords are exploiting a key loophole to raise rents on thousands of apartments

**BY DANIEL GEIGER**

In the fall of 2013, when apartment 1E at 171 W. 81st St. was vacated, the owner did what landlords have done with tens of thousands of other rent-regulated units in the city. Stellar Management claimed it had spent a bundle on renovations, which—combined with the 20% rent increase permitted when a tenant leaves—allowed it to push the $647 regulated monthly rent above $2,500—to the threshold at the time to make it a market-rate unit. A few months later Stellar

See **RENT REGS** on page 20

HARRY PULVER

FINANCE

# Mutual funds pivot to VC and PE, PDQ

## Even biggest asset managers are making substantial changes

**BY AARON ELSTEIN**

AllianceBernstein's February conference call to discuss 2018 results was pretty somber. Assets under management fell by nearly $40 billion, to $516 billion, as investors continued to yank money out of mutual funds that try to beat the market, a trend that last year prompted the Manhattan investment manager to cut costs by moving its corporate headquarters to Tennessee.

On that front, at least, there was good news: The firm managed to secure temporary office space, so the majority of employees slated for transfer will be moved before the permanent Nashville headquarters is ready next year.

"Our relocation is going very well and proceeding faster than we originally expected," Chief Financial Officer John Weisenseel said.

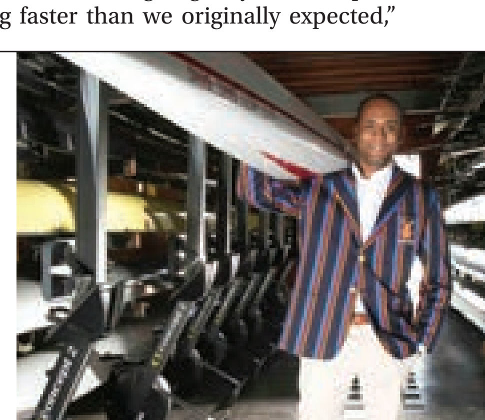
It's a sign of the times. Although the stock market has gone pretty much straight up since the financial crisis, the fortunes of Wall Street's asset-management firms have gone in the opposite direction. Investors are pouring money into low-fee passively managed index funds and have little patience for higher-fee funds that aim to beat the market but typically don't.

See **MUTUAL** on page 17

CRAIN VOL. 35, NO. 14 

NEWSPAPER

GOTHAM GIGS
**Helping young execs give back**
PAGE 23



INFRASTRUCTURE
**A tree grows … over the BQE?**
PAGE 3

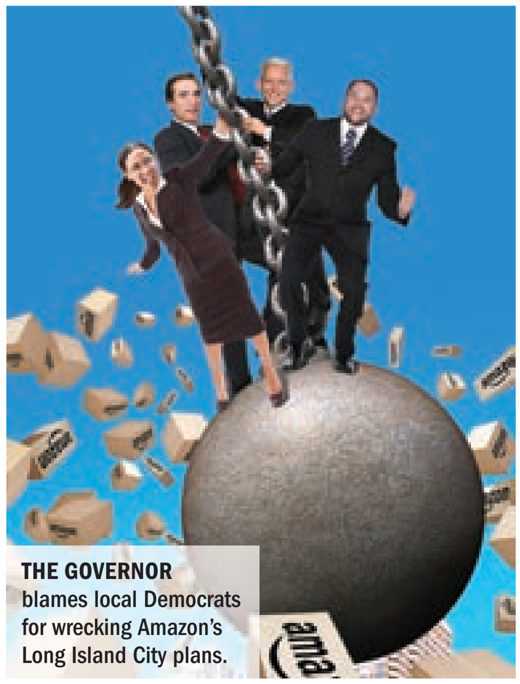
# Cuomo still fuming over HQ2

**GOV. ANDREW CUOMO** says the collapse of Amazon's Long Island City headquarters has the private sector scared of entering into economic-development deals with New York.

"It cost us 25,000 jobs, and it cost us credibility," Cuomo told a gathering of the Association for a Better New York, a nonprofit business advocacy group. "I can't tell you how many businesses that I'm trying to bring to New York now say to me, 'Am I going to get Amazoned?'"

A question from an audience member about the possibility of "coalition building" around future projects triggered the extended rant from the governor, who lashed out at a pair of fellow Democrats without mentioning their names.

First he lambasted Rep. **Alexandria Ocasio-Cortez**, who once suggested that the $3 billion incentive package—which consisted of roughly $2.5 billion in long-term tax relief from the city and state—instead go toward schools and subways. "It was just knee-jerk politics, and 'Amazon is rich' and 'We're anti-corporate' and 'We're anti-rich people,'" Cuomo said.



**THE GOVERNOR** blames local Democrats for wrecking Amazon's Long Island City plans.

JOHN KKUCZALA

The governor reserved special ire for state Sen. **Michael Gianaris**, who persuaded Democratic Majority Leader **Andrea Stewart-Cousins** to nominate him to the Public Authorities Control Board, where he would have had the power to block the project. Cuomo previously called that "a form of government corruption."

His response was to update the PACB law to allow the chief executive to remove any member who blocks a state initiative for nonfinancial reasons—a power grab by the governor from the Legislature.

Cuomo's rant left unanswered what steps he plans to take to allay the alleged fear of being "Amazoned," and he dismissed the entire notion of future coalition building. "You can't reason with people who don't want to reason," he said.

As ever, the only solution Cuomo offered was to increase his power.

*— Will Bredderman*

### A bridge too far?

A $2 MTA toll increase makes the Verrazzano-Narrows Bridge the most expensive in the U.S. The $19 one-way non-E-ZPass price surpasses the Chesapeake Bay Bridge-Tunnel's by a buck. The E-ZPass rate is $12.24. Staten Islanders with E-ZPass still pay $5.50.

### Empire in waiting

For the fifth time, the grand opening of the Empire Outlets mall on Staten Island has been pushed back, to May 15, giving retailers another month to prepare.

### Booking tables

Zagat's restaurant guide will be back in book form in the fall, according to new owner The Infatuation. Last year the restaurant-recommendation website bought Zagat from Google, which discontinued the print version in 2016.

### Worse for where

Tommy Hilfiger closed its 22,000-square-foot Fifth Avenue flagship, joining the ranks of Lord & Taylor and Henri Bendel in retreating from the corridor's high rents. The closure affects 79 employees.

### Outside the box

Former Pandora CEO Roger Lynch is set to become chief of Condé Nast's domestic and international operations April 22. He is replacing Bob Sauerberg, who has been with the company for 18 years.

### 'Cause I'm the tax man'

Come June, Albany will require all out-of-state online retailers to hit New Yorkers with the state sales tax. Major merchants such as Amazon have been applying the levy since 2008. The projected revenue is $280 million annually.

### Cash and carry

With the statewide ban on plastic bags slated for next year, six members of the City Council plan to introduce legislation for a 5-cent fee on paper bags. For each bag, 3 cents would go to the state's Environmental Protection Fund.

### Push pause

The Union Square area's Irving Plaza concert hall is set to close in July for extensive renovations. Owner Live Nation plans to reopen the venue early next year.

*— Chris Kobiella*

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BUCK ENNIS

**GOLDBERG'S** U-Tron automated garages can hold more than 300 cars.

# THE RISE OF THE ROBO GARAGE

## They save space and cost, and someday they'll house self-driving cars

**BY MATTHEW FLAMM**

In 2006 Yair Goldberg was sure automated parking was about to take off. As an executive at Israeli industrial-automation firm Unitronics, he had just led its first project in the United States, a retrofit of a troubled robotic garage in Hoboken.

The technology had gained notoriety for snafus including cars being dropped off platforms. But the kinks were being ironed out. The systems offered convenience to customers and let developers build garages that could accommodate twice as many parking spots as a conventional arrangement in the same footprint.

After the financial crisis hit, Unitronics did not sign contracts for new systems until 2012. Today, operating under the brand name U-tron, the Hackensack, N.J.–based company has installed seven robotic garages across the country and has orders for more than 20 others, including 15 in the metropolitan area.

The automated system, which moves a car on a palette like a package in a warehouse, is becoming a prized amenity for builders at a time when urban garages face uncertain prospects and a limited shelf life. Commercial parking in Manhattan's core is losing ground to development or else struggling with rising labor costs and reduced business, as visitors leave their car at home rather than grapple with congestion.

For residential developers, there's the question of whether millennial residents will need parking, as the growth of ride-hail services

See **GARAGES** on page 15

POLITICS

# Panel-ing over infrastructure problems

## De Blasio and Cuomo offload politically fraught projects to commissions

**BY WILL BREDDERMAN**

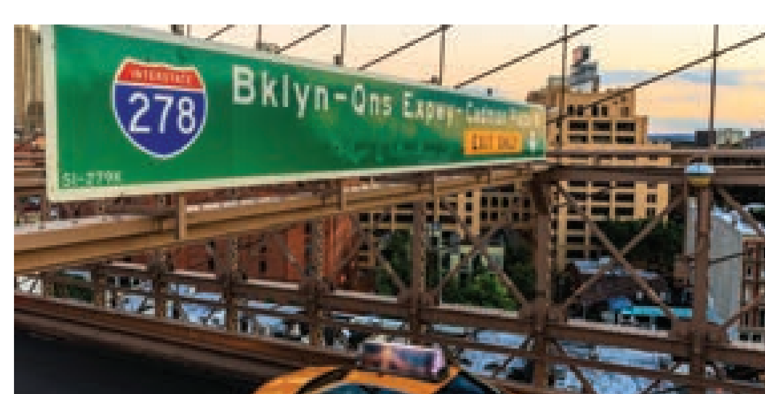
It's one of the oldest tricks in politics: When you want a problem to go away, appoint a panel.

The tactic is getting a new life this year. Gov. Andrew Cuomo in January canceled the long-dreaded shutdown of the L train after a panel of Columbia and Cornell professors that he had convened came up with an alternative approach. Instead of the Metropolitan Transportation Authority's plan to close the Canarsie Tunnel between Brooklyn and Manhattan to demolish and rebuild walls containing corroded cables, construction workers will spend weekends patching up cracks with epoxy and hanging new electrical lines from the ceilings.

Then last week Mayor Bill de Blasio debuted his own "expert" panel: a conclave of academics, transit wonks, civic leaders and trade-group heads to evaluate reconstruction of the Brooklyn-Queens Expressway.

The mayor assembled the commission roughly six months after endorsing his Department of Transportation's plan for the project: renovation of a decrepit 1.5-mile stretch of the BQE. His agency

See **PANEL-ING** on page 4



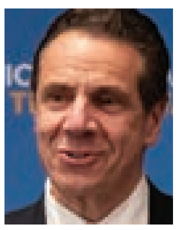

ISTOCK

# PANEL-ING

FROM PAGE 3

had proposed constructing a temporary elevated roadbed above it—which would have shuttered the beloved Brooklyn Heights Promenade for up to six years. The plan caused an outcry among the well-heeled locals.

A day after the mayor's announcement, Cuomo declared he was reuniting his Ivy League team to review an MTA money pit known as East Side Access. The price tag for the project, to bring Long Island Rail Road trains into Grand Central Terminal, has soared from $2.2 billion in the 1990s to $11.2 billion last year, and the deadline has crept from 2012 until 2022.



GETTY IMAGES

**CUOMO**

According to the governor, only his whiz kids can break the sclerotic practices of what he called the "transportation-industrial complex."

But traffic engineer Sam Schwartz, a veteran of both government and blue-ribbon commissions, said that's true only some of the time.

"The key is who the chair of the panel is, and the composition of the panel. Does anybody know anything about the subject matter?" Schwartz said. "I've seen panels do good work, and I've seen a lot of blue-ribbon panels do nothing at all. It's often a way in many cases of just delaying decisions. The upside is maybe you will get some good ideas."

> "I'VE SEEN PANELS DO **GOOD WORK**, AND I'VE SEEN PANELS DO **NOTHING AT ALL**. IT'S OFTEN A WAY OF **DELAYING DECISIONS**"

The BQE project was shaping up as a major headache for de Blasio. After his agency pitched two unpalatable options, alternatives flooded in, including from the Brooklyn Heights Association, City Comptroller Scott Stringer, the Regional Plan Association and the Bjarke Ingels Group, an architecture firm. Litigation seemed inevitable. The panel might reach a consensus, which the city's transportation officials had already failed to do.

Schwartz—who coined the term "gridlock" while working in the Koch administration and became known as Gridlock Sam—said his firm had a small contract with the city to gather data on the BQE. He sought to avoid remarking specifically on panels or projects. But he noted that both the L-train closure and the expressway reconstruction threatened affluent and politically voluble communities—which elevated them in the news media and in the minds of the mayor and the governor.

Schwartz, however, suggested the Canarsie Tunnel project was simpler by orders of magnitude than rebuilding the "triple cantilever" section of the BQE, a piece of highway infrastructure that is not only architecturally unique but crucial to the borough's only major truck route.

"The L train didn't seem it was a tough construction job; it was just a matter of convenience," Schwartz said. "The BQE, on the other hand, is a really tough construction job. The more minds working on solutions there, the better."

The three projects are also in different stages of development. The city has yet to issue a request for proposals for the BQE rebuilding. By contrast, the MTA already had a half-billion-dollar contract with construction firm Judlau to gut and renovate the L-train tunnel. And East Side Access is already 90% complete.

Schwartz argued that panels do their most thoughtful and effective work when gathered at the outset of an endeavor—when tempers are calm, politicization is low and schematics are undrawn.

"It's better if it's in the early phases, rather than in the late phases, before everybody is yelling and taking sides," he said. "That's when everything is an option. You don't have contractors yet. You don't have a set design. You don't have a set geometry." ■

BUCK ENNIS

**FINKELPEARL** controls the largest cultural budget of any municipality in the U.S.

ARTS & CULTURE

## Museum chiefs work the crowds

**BY AARON ELSTEIN**

In the years after the financial crisis, the cash-strapped city slashed the $160 million Department of Cultural Affairs budget by a third. Last year the agency was allocated $198 million.

"We're finally back above 2008," Cultural Affairs Commissioner Tom Finkelpearl said of the current funding at *Crain's* Arts & Culture breakfast last week. When asked if there's any downside to such a large budget, Finkelpearl answered, "No," without hesitation.

With city allocations up and corporate donors flush after the long bull market on Wall Street, representatives at some of the city's leading museums said they have time to think beyond the next fundraiser and examine ways to make sure their institutions are welcoming to New Yorkers of all backgrounds.

Daniel Weiss, chief executive of the Metropolitan Museum of Art, said attendance at the Met has continued to rise even after its longstanding "everyone pays what they wish" admissions policy was scrapped last year. Doing that helped the museum—which boasts 2 million works of art, 7.5 million annual visitors and a $320 million budget—lift revenue by $10 million, some of which is shared with other museums around town.

"We think we got it right," Weiss said of the admission-fee structure.

But not all museums want a whole lot more visitors. The Isamu Noguchi Foundation and Garden Museum in Long Island City is of course happy when people come, but admission-revenue accounts for only 8% of its budget. Director Brett Littman said it's important that the museum remains a quiet, contemplative space.

"We want to be a place where you can think and be emotionally involved in the work," Littman said. "We value engagement."

The other museum directors on the panel, including the Transit Museum's Concetta Anne Bencivenga and the Bronx Museum of Art's Deborah Cullen, all said they spend a lot of time trying to lure new members, especially younger people, who may not be in the habit of patronizing cultural institutions.

"You could be Al Roker, whose dad was a bus operator and do a lovely segment on the *Today* show," Bencivenga said. "Or you can be a museum member." ■

WEEK ON THE WEB

## Old cinemas keep meeting gloomy end

### And news outlets follow off-label-drug story

**BY GABRIELLA IANNETTA**

Plans to demolish the Sunshine Cinema on the Lower East Side to build a 9-story, 68,000-square-foot office building continue the citywide trend of knocking down old theaters, no matter how beloved.

In "Old movie theaters are hoping for a Hollywood ending," published in November, *Crain's* examined the trend. Reporter Stuart Miller looked at aging movie palaces as battlegrounds that pit developers against communities. Assemblyman Ron Kim said there was a desperate need for neighborhood cultural spots where residents could gather.

There have been some successes, like Kings Theater in Flatbush, revived as a live-performance venue. But the majority have been failures, like American Theater in the Bronx, turned into a Marshalls.

### Anxious about meds

*Crain's* first reported about the backlash against San Francisco startup Hers for plastering ads on New York subways, touting an off-label use for beta-blocker propranolol. The millennial-focused company pitched the blood pressure medication to people nervous about a first date and other performance-anxiety situations.

*The New York Times* and *Bloomberg* published their own articles last week questioning the legality of such startups—which depends on whether they're selling the services of a physician who can prescribe drugs for off-label use or are directly advertising a drug that comes with benefits and risks.

"It's restaurant-menu medicine," Arthur Caplan, a medical ethics professor at the NYU School of Medicine, told the *Times*. ■

STATS AND THE CITY

## BUILDING BUST

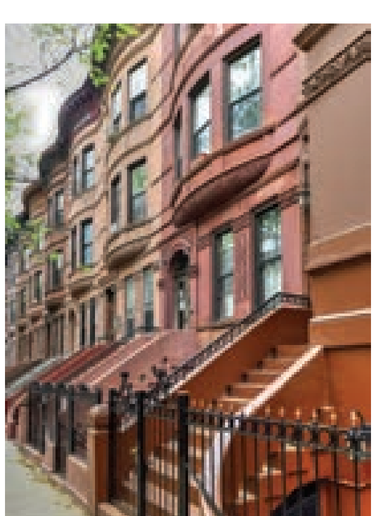
**BY GERALD SCHIFMAN**

**DEVELOPERS** are catering to wealthy buyers by reducing the number of apartments in scores of buildings to create more expansive dwellings.

**1,241** Number of city buildings debuting in the past four years with fewer units than at the time of acquisition

**47%** Portion of those properties in Brooklyn—most of any borough

**107** Decrease in units at The Shephard, a West Village building now composed of 38 condos



ISTOCK

Neighborhoods with the most buildings that have lost units

| | |
|---|---|
| Central Harlem | 112 |
| Upper West Side | 85 |
| Upper East Side | 80 |
| Park Slope | 67 |
| Bedford-Stuyvesant | 53 |

**Source:** StreetEasy

CONFERENCE CALLOUT

**APRIL 18**

**THE BUSINESS OF CANNABIS: GROWING A SUSTAINABLE INDUSTRY IN THE EMPIRE STATE**

Join **AXEL BERNABE**, assistant counsel to Gov. Andrew Cuomo for health, and industry stakeholders to discuss the state's emerging cannabis business. Register today.

**NYAC**

8 to 11 a.m.
CrainsNewYork.com/events/cannabis2019

# To merchants who have accepted Visa and Mastercard at any time from January 1, 2004 to January 25, 2019: Notice of a class action settlement of approximately $5.54-6.24 Billion.

*Si desea leer este aviso en español, llámenos o visite nuestro sitio web, www.PaymentCardSettlement.com.*

*Notice of a class action settlement authorized by the U.S. District Court, Eastern District of New York.*

This notice is authorized by the Court to inform you about an agreement to settle a class action lawsuit that may affect you. The lawsuit claims that Visa and Mastercard, separately, and together with certain banks, violated antitrust laws and caused merchants to pay excessive fees for accepting Visa and Mastercard credit and debit cards, including by:

- Agreeing to set, apply, and enforce rules about merchant fees (called *default interchange fees*);
- Limiting what merchants could do to encourage their customers to use other forms of payment; and
- Continuing that conduct after Visa and Mastercard changed their corporate structures.

The defendants say they have done nothing wrong. They say that their business practices are legal and the result of competition, and have benefitted merchants and consumers. The Court has not decided who is right because the parties agreed to a settlement. The Court has given preliminary approval to this settlement.

## The Settlement

Under the settlement, Visa, Mastercard, and the bank defendants have agreed to provide approximately $6.24 billion in class settlement funds. Those funds are subject to a deduction to account for certain merchants that exclude themselves from the Rule 23(b)(3) Settlement Class, but in no event will the deduction be greater than $700 million. The net class settlement fund will be used to pay valid claims of merchants that accepted Visa or Mastercard credit or debit cards at any time between January 1, 2004 and January 25, 2019.

This settlement creates the following Rule 23(b)(3) Settlement Class: All persons, businesses, and other entities that have accepted any Visa-Branded Cards and/or Mastercard-Branded Cards in the United States at any time from January 1, 2004 to January 25, 2019, except that the Rule 23(b)(3) Settlement Class shall not include (a) the Dismissed Plaintiffs, (b) the United States government, (c) the named Defendants in this Action or their directors, officers, or members of their families, or (d) financial institutions that have issued Visa-Branded Cards or Mastercard-Branded Cards or acquired Visa-Branded Card transactions or Mastercard-Branded Card transactions at any time from January 1, 2004 to January 25, 2019. The Dismissed Plaintiffs are plaintiffs that previously settled and dismissed their own lawsuit against a Defendant, and entities related to those plaintiffs. If you are uncertain about whether you may be a Dismissed Plaintiff, you should call 1-800-625-6440 or visit www.PaymentCardSettlement.com for more information.

## What Merchants will get from the Settlement

Every merchant in the Rule 23(b)(3) Settlement Class that does not exclude itself from the class by the deadline described below and files a valid claim will get money from the class settlement fund. The value of each claim will be based on the actual or estimated interchange fees attributable to the merchant's Mastercard and Visa payment card transactions from January 1, 2004 to January 25, 2019. *Pro rata* payments to merchants who file valid claims for a portion of the class settlement fund will be based on:

- The amount in the class settlement fund after the deductions described below,
- The deduction to account for certain merchants who exclude themselves from the class,
- Deductions for the cost of settlement administration and notice, applicable taxes on the settlement fund and any other related tax expenses, money awarded to the Rule 23(b)(3) Class Plaintiffs for their service on behalf of the Class, and attorneys' fees and expenses, all as approved by the Court, and
- The total dollar value of all valid claims filed.

<u>Attorneys' fees and expenses and service awards for the Rule 23(b)(3) Class Plaintiffs</u>: For work done through final approval of the settlement by the district court, Rule 23(b)(3) Class Counsel will ask the Court for attorneys' fees in an amount that is a reasonable proportion of the class settlement fund, not to exceed 10% of the class settlement fund, to compensate all of the lawyers and their law firms that have worked on the class case. For additional work to administer the settlement, distribute the funds, and litigate any appeals, Rule 23(b)(3) Class Counsel may seek reimbursement at their normal hourly rates. Rule 23(b)(3) Class Counsel will also request (i) an award of their litigation expenses (not including the administrative costs of settlement or notice), not to exceed $40 million and (ii) up to $250,000 per each of the eight Rule 23(b)(3) Class Plaintiffs in service awards for their efforts on behalf of the Rule 23(b)(3) Settlement Class.

## How to Ask for Payment

To receive payment, merchants must fill out a claim form. If the Court finally approves the settlement, and you do not exclude yourself from the Rule 23(b)(3) Settlement Class, you will receive a claim form in the mail or by email. Or you may ask for one at: www.PaymentCardSettlement.com, or call: 1-800-625-6440.

## Legal Rights and Options

Merchants who are included in this lawsuit have the legal rights and options explained below. You may:

- **File a claim to ask for payment.** Once you receive a claim form, you can submit it via mail or email, or may file it online at www.PaymentCardSettlement.com.
- **Exclude yourself** from the Rule 23(b)(3) Settlement Class. If you exclude yourself, you can individually sue the Defendants on your own at your own expense, if you want to. If you exclude yourself, you will not get any money from this settlement. If you are a merchant and wish to exclude yourself, you must make a written request, place it in an envelope, and mail it with postage prepaid and postmarked no later than **July 23, 2019**, or send it by overnight delivery shown as sent by **July 23, 2019**, to Class Administrator, Payment Card Interchange Fee Settlement, P.O. Box 2530, Portland, OR 97208-2530. Your written request must be signed by a person authorized to do so and provide all of the following information: (1) the words "In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation," (2) your full name, address, telephone number, and taxpayer identification number, (3) the merchant that wishes to be excluded from the Rule 23(b)(3) Settlement Class, and what position or authority you have to exclude the merchant, and (4) the business names, brand names, "doing business as" names, taxpayer identification number(s), and addresses of any stores or sales locations whose sales the merchant desires to be excluded. You also are requested to provide for each such business or brand name, if reasonably available: the legal name of any parent (if applicable), dates Visa or Mastercard card acceptance began (if after January 1, 2004) and ended (if prior to January 25, 2019), names of all banks that acquired the Visa or Mastercard card transactions, and acquiring merchant ID(s).
- **Object to the settlement.** The deadline to object is **July 23, 2019**. To learn how to object, visit www.PaymentCardSettlement.com or call 1-800-625-6440. Note: If you exclude yourself from the Rule 23(b)(3) Settlement Class you cannot object to the settlement.

For more information about these rights and options, visit: www.PaymentCardSettlement.com.

## If the Court Approves the Final Settlement

Members of the Rule 23(b)(3) Settlement Class who do not exclude themselves by the deadline will be bound by the terms of this settlement, including the release of claims against the released parties provided in the settlement agreement, whether or not the members file a claim for payment.

The settlement will resolve and release claims by class members for monetary compensation or injunctive relief against Visa, Mastercard, or other defendants. The release bars the following claims:

- Claims based on conduct and rules that were alleged or raised in the litigation, or that could have been alleged or raised in the litigation relating to its subject matter. This includes any claims based on interchange fees, network fees, merchant discount fees, no-surcharge rules, no-discounting rules, honor-all-cards rules, and certain other conduct and rules. These claims are released if they already have accrued or accrue in the future up to five years following the court's approval of the settlement and the resolution of all appeals.
- Claims based on rules in the future that are substantially similar to – i.e., do not change substantively the nature of – the above-mentioned rules as they existed as of preliminary approval of the settlement. These claims based on future substantially similar rules are released if they accrue up to five years following the court's approval of the settlement and the resolution of all appeals.

The settlement's resolution and release of these claims is intended to be consistent with and no broader than federal law on the identical factual predicate doctrine.

The release does *not* extinguish the following claims:

- Claims based on conduct or rules that could not have been alleged or raised in the litigation.
- Claims based on future rules that are not substantially similar to rules that were or could have been alleged or raised in the litigation.
- Any claims that accrue more than five years after the court's approval of the settlement and the resolution of any appeals.

The release also will have the effect of extinguishing all similar or overlapping claims in any other actions, including but not limited to the claims asserted in a California state court class action brought on behalf of California citizen merchants and captioned *Nuts for Candy v. Visa, Inc., et al.*, No. 17-01482 (San Mateo County Superior Court). Pursuant to an agreement between the parties in *Nuts for Candy*, subject to and upon final approval of the settlement of the Rule 23(b)(3) Settlement Class, the plaintiff in *Nuts for Candy* will request that the California state court dismiss the *Nuts for Candy* action. Plaintiff's counsel in *Nuts for Candy* may seek an award in *Nuts for Candy* of attorneys' fees not to exceed $6,226,640.00 and expenses not to exceed $493,697.56. Any fees or expenses awarded in *Nuts for Candy* will be separately funded and will not reduce the settlement funds available to members of the Rule 23(b)(3) Settlement Class.

The release **does not** bar the injunctive relief claims or the declaratory relief claims that are a predicate for the injunctive relief claims asserted in the pending proposed Rule 23(b)(2) class action captioned *Barry's Cut Rate Stores, Inc., et. al. v. Visa, Inc., et al.*, MDL No. 1720, Docket No. 05-md-01720-MKB-JO ("*Barry's*"). Injunctive relief claims are claims to prohibit or require certain conduct. They do not include claims for payment of money, such as damages, restitution, or disgorgement. As to all such claims for declaratory or injunctive relief in *Barry's*, merchants will retain all rights pursuant to Rule 23 of the Federal Rules of Civil Procedure which they have as a named representative plaintiff or absent class member in *Barry's*, except that merchants remaining in the Rule 23(b)(3) Settlement Class **will release** their right to initiate a new and separate action for the period up to five (5) years following the court's approval of the settlement and the exhaustion of appeals.

The release also does not bar certain claims asserted in the class action captioned *B&R Supermarket, Inc., et al. v. Visa, Inc., et al.*, No. 17-CV-02738 (E.D.N.Y.), or claims based on certain standard commercial disputes arising in the ordinary course of business.

For more information on the release, see the full mailed Notice to Rule 23(b)(3) Settlement Class Members and the settlement agreement at: www.PaymentCardSettlement.com.

## The Court Hearing about this Settlement

On **November 7, 2019**, there will be a Court hearing to decide whether to approve the proposed settlement. The hearing also will address the Rule 23(b)(3) Class Counsel's requests for attorneys' fees and expenses, and awards for the Rule 23(b)(3) Class Plaintiffs for their representation of merchants in MDL 1720, which culminated in the settlement agreement. The hearing will take place at:

United States District Court for the<br>
Eastern District of New York<br>
225 Cadman Plaza<br>
Brooklyn, NY 11201

You do not have to go to the Court hearing or hire an attorney. But you can if you want to, at your own cost. The Court has appointed the law firms of Robins Kaplan LLP, Berger Montague PC, and Robbins Geller Rudman & Dowd LLP as Rule 23(b)(3) Class Counsel to represent the Rule 23(b)(3) Settlement Class.

## Questions?

For more information about this case (*In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation*, MDL 1720), you may:

Call toll-free: 1-800-625-6440<br>
Visit: www.PaymentCardSettlement.com<br>
Write to the Class Administrator:<br>
Payment Card Interchange Fee Settlement<br>
P.O. Box 2530<br>
Portland, OR 97208-2530<br>
Email: info@PaymentCardSettlement.com

Please check www.PaymentCardSettlement.com for any updates relating to the settlement or the settlement approval process.

# Congestion pricing costs city control of streets

## Think tank calls plan's oversight committee another power grab by Cuomo

BY MATTHEW FLAMM

Last week's passage of a congestion pricing plan was the very definition of a heavy lift—a years-long joint effort by transportation advocates and elected officials combined with Gov. Andrew Cuomo's celebrated political skills. But for all the city will gain from its new source of funding for subways and buses, it might be paying a high price.

According to one view of the groundbreaking legislation, it will grant the state an unprecedented degree of control over what happens on its streets, at least those south of 61st Street in Manhattan.

The problem lies in the creation of a traffic mobility review board. The board will advise the Triborough Bridge and Tunnel Authority on how congestion pricing will work: how much it will charge drivers to enter the core business district, who will get discounts or exemptions and what kinds of variable pricing there will be based on the hour or the season.

"THE CITY HAS **CEDED CONTROL** OF ITS OWN STREETS"

But the city might have limited influence on that board, which will consist of a chairperson and five members. The mayor can recommend only one member. One other member will come from the Metro North region. A third will come from the Long Island Rail Road region.

The bridge and tunnel authority—an agency of the Metropolitan Transportation Authority, which is itself controlled by the governor—gets final say over all six appointees.

"If we had a stronger mayor who was more engaged on these issues, we could have started out in a better place," said Nicole Gelinas, a senior fellow at the Manhattan Institute, who wrote about the subject last week in *City Journal*. "It would have been reasonable [for the city] to have at least half of those appointees on the traffic review board."

### Control over exemptions

Gelinas said her concern is whether the board will hold the line on exemptions from congestion pricing surcharges—especially because she believes a bad precedent has been set by an exemption in the legislation for people who live within the congestion zone and make less than $60,000 a year.

She pointed out that the Bloomberg administration's congestion pricing attempt more than a decade ago kept more power with the city—although, she acknowledges, that could have been one reason it failed.

Even so, "people should be aware," she said, that the city has "given up a lot" to the state.

"Having some say over who gets exemptions, variable pricing for seasonality and times of day—these are things that really affect city residents," she said. "The difference between prices could mean a lot of traffic or a little bit of traffic on busy streets, or weekends."

Or, as she wrote in *City Journal,* "The city has ceded control of its own streets."

Some longtime advocates for congestion pricing said Gelinas made some good points but went too far in saying the bill gives the state control of city streets.

"It's hyperbolic," said Alex Matthiessen, a leading figure in the coalition that helped push the bill over the finish line. "The MTA and the state already control tolling on roads and bridges into the core business district."

Matthiessen said Mayor Bill de Blasio has to ensure that the remaining three members of the traffic review board—those not already determined by location—be from the city.

The congestion pricing plan is "the best hope at getting the trains moving again," the mayor's office said. "The mayor has been clear all along that it had to include a guaranteed lock box for New York City riders, fairness for the outer boroughs and carve-outs for people experiencing hardships. He delivered, and now the MTA can fix its broken subway system."

A spokesman for Cuomo pointed out that the legislation calls for a memorandum of understanding between the MTA and the city's Department of Transportation. (Gelinas argued that the MTA will have the upper hand.)

The bill was passed with the support of a broad coalition, Cuomo's spokesman added.

"Central Business District tolling has clear benefits for all New Yorkers," the spokesman said in a statement, "such as easing congestion, helping the environment and generating billions of dollars for our mass transit system. As it moves forward, the spirit of cooperation that led to its passage will continue." ■

GETTY IMAGES

**GOING WITH THE FLOW:** A stronger mayor would have insisted on more power over appointments to the new traffic review board, a critic says.

### DISCOUNTS SOUGHT FOR NEW TOLLS

**TRUCKERS WANT** out of congestion pricing. So do advocates for the disabled, taxi drivers and suburbanites.

Whether they'll be exempted hinges on Gov. Andrew Cuomo, Mayor Bill de Blasio and a six-member panel that will decide who pays what under the state's new law to raise $15 billion for the Metropolitan Transportation Authority.

The tolls will start no sooner than Dec. 31, 2020, south of 60th Street, with exemptions for the FDR Drive and West Side Highway. Pricing and hours will be set by an MTA review board, which will consider exemptions for disabled motorists and credits for tolls on bridges and tunnels paid prior to entering the zone.

Though a study last year proposed flat daily charges of about $11.50 for cars and $25 for trucks, the legislation doesn't specify fees. The lack of detail is "concerning," said Kendra Hems, president of the Trucking Association of New York, whose members include United Parcel Service and FedEx.

"We feel very strongly that commercial vehicles should be exempt," said Hems. "They provide a critical service to New York City."

— *BLOOMBERG*

# New housing czar promises to 'move the needle'

## Back at City Hall, Been pledges units for poorest New Yorkers

BY DANIEL GEIGER

Upon being named deputy mayor for housing and economic development last week, Vicki Been promised to energize the city's efforts to create and preserve affordable apartments, arrest the decline of public housing and challenge policies that have contributed to the affordability crisis.

"I'm here to move the needle," Been said at a news conference, flanked by Mayor Bill de Blasio. "I didn't take the job just to stay the course. I want to take it up a notch."

Been appeared to concede that the housing policies of de Blasio's administration, such as mandatory inclusionary housing, which grants development projects added bulk in exchange for affordable units, have fallen short of accommodating the city's poorest residents.

Although mandatory inclusionary housing has spurred the construction of thousands of affordable housing units, many of them are geared for renters with an annual income of $87,000 or more.

"I took this position because the mayor and I see eye to eye about the need to go deeper, to push further to meet the needs of those most vulnerable New Yorkers," Been said. "We raised the bar in 2014 in pledging to make many more of our subsidized homes more affordable to those with extremely low and very low incomes. It wasn't enough. The mayor … raised the bar again in 2017, but it still isn't enough. We need to raise the bar again."

### Albany agenda

Been, who officially assumes the deputy mayor role May 6, said the city should challenge state rules that are up for renewal in June that govern the city's rent regulation. Housing advocates say landlords exploit the system to pull units out of regulation and raise rents.

"Rent regulation is up for reform in Albany," Been said. "It's a once-in-a-generation chance to end failed policies, like the current vacancy decontrol rules, and to stop the irrevocable loss of those precious rent-stabilized units."

Been was commissioner of the city's Department of Housing Preservation and Development during de Blasio's first mayoral term. She left that role in 2017 to return to New York University, where she was a professor at the law school, an affiliated professor of public policy at the Wagner Graduate School of Public Service and faculty director at the Furman Center for Real Estate and Urban Policy.

As part of her new role, she plans to work to revive the New York City Housing Authority.

"Vicki will be a central architect of all we do from this point forward to turn around NYCHA," de Blasio said. "The residents of public housing deserve a lot better. And for the first time in decades, there's a plan in place to achieve that change."

Been, who grew up in a small mining town in Colorado, said she could relate to the need for affordable housing because of the role it played in her own journey from an impoverished childhood to a prominent career in government and academia.

She was able to take an internship that brought her to the city as a young adult only because she was able to find a room at an all-women boarding house at West 34th Street and Ninth Avenue, where she paid $50 a month, she said.

"That was what allowed me to come here, to have this incredibly rewarding career," Been said. "I want all New Yorkers to have that kind of experience—to look back on the city as a place that allowed them to make the kind of life that they wanted to make." ■

BUCK ENNIS

**SHE CAN RELATE:** Been recalled her own search for low-cost housing.

## IN THE MARKETS

# The upshot of being the lowest-paid CEO

### Banker's deal suggests lavish compensation isn't necessary

Spring is when baseball season starts, the swallows return to Capistrano and corporate America starts divulging how much it pays its top executives. But instead of another story about a CEO making an eye-popping sum, let's look at who's working for the least.

Although new information might come to light as more companies release pay data in the coming weeks, it's fair to say we can crown a winner now: Scott Bok, CEO of investment bank Greenhill & Co. This probably isn't an honor he'll appreciate very much.

AARON ELSTEIN

Bok's salary last year was $50,000, and he took home a total of $116,277 when other forms of compensation were included. That means his pay was about a quarter of what the average Wall Street worker makes—$422,500 in 2017. At Bok's current rate, he would have to work 198 years to match what Goldman Sachs' CEO David Solomon hauled in last year alone.

It's especially startling considering that Greenhill & Co. has been a highly regarded investment banking boutique since it was launched in 1996 by former Morgan Stanley President Robert Greenhill. The firm, which went public in 2004, has no trading desk or investing arm with goals that might conflict with the advice whispered by its bankers into the ears of leaders at such corporations as GlaxoSmithKline and Walmart. "Advising clients is our only business," Greenhill declares on its website.

But although corporate merger-and-acquisition activity just had its busiest year since 2015, according to Dealogic, and boutique banks managed to get a record 40% share of that work, Greenhill & Co. executives didn't get a seat at the negotiating table very often. Revenue sank by nearly 30% in 2017, and the firm's stock price fell to $14 per share, well off its 2009 high of $64. The value of its founder's 11.5% stake sank from about $140 million to a bit more than $30 million. Bok, who has been at the firm since 1997, has an 8% stake.

To break the tailspin, Greenhill and Bok both agreed in 2017 to invest $10 million in their firm, which also borrowed $300 million from Goldman to buy back stock. The dividend was sharply reduced, and Bok—the firm's sole CEO since 2010—agreed to cut his $600,000 annual salary by 90% through 2022.

To help ease his pain, Bok was awarded nearly $2.8 million worth of restricted stock and was allowed to pocket cash dividends on the shares before they vested. Such dividend payments, which used to be a fairly common form of stealth pay but are pretty rare now, accounted for the majority of Bok's pay last year. For those who like to track this sort of thing: The CEO made 40% less than the median annual compensation of Greenhill & Co.'s 365 employees.

Bok's turnaround effort looks promising so far. The firm's revenues jumped by nearly 50% last year, to $352 million, and its stock now trades for about $22 per share.

BOK

BLOOMBERG

Last week Greenhill & Co. announced plans to open an office in Singapore and an agreement to work with an investment bank in Israel.

For years the argument has been that lavish CEO pay is necessary in order to attract top people and spur them to perform well. But Bok's recent success at Greenhill & Co. suggests CEOs may not need to be paid so handsomely after all. ■

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## ON NEW YORK

# Real estate's great escape

### How the industry blocked a tax that looked like a done deal

Only a month ago a *New York Times* headline read "Lawmakers Support Pied-à-Terre Tax" as all the key players in Albany—over the vociferous opposition of the city's real estate industry—said they backed a plan to levy a new annual tax on expensive homes occupied by part-time residents.

But when the new state budget was approved April 1, no such tax was enacted. To paraphrase Mark Twain, reports of the demise of the real estate industry's clout appear greatly exaggerated, or at least premature.

GREG DAVID

The key to the real estate industry's success was attacking the rationale for the new tax: to generate money to fix the subway system. The Real Estate Board of New York, which led the effort, was able to convince the governor and the Democrats leading the Assembly and the Senate that the projections of how much money the tax would raise were unreliable.

REBNY found allies in the Partnership for New York City, the Citizens Budget Commission and especially Martha Stark, a former city finance commissioner. Stark argued in a series of media appearances just how difficult the tax would be to administer.

It's worth noting that The Related Cos.—which aims to sell hundreds of pricey apartments at Hudson Yards, some of which are sure to be second homes—backs an effort led by Stark and others to reform New York City property taxes. That would have the effect of raising taxes on posh condos and lowering them on rentals, which Related also owns.

Crucially, the industry also offered an alternative it found acceptable: an additional transfer tax on sales, which it said would be more predictable. So instead of adding a recurring tax, Albany piggybacked on an existing 1% tax on property sales of $1 million or more. The state plans to add a tax of 1.25% for all home sales of between $2 million and $3 million, increasing gradually to 4.15% on sales exceeding $25 million. A separate state transfer tax was raised to 0.65% from 0.4% for properties that sell for more than $3 million. The increases are expected to generate $365 million per year, although historically such revenues are cyclical.

Proponents of the tax apparently were overly confident of their success. In particular, they failed to counter another, more tenuous contention of the industry: that the tax would decimate the already weak market for high-end condos.

"I think this was less a case of clout in the way pundits usually gauge clout," said Bruce Gyory, an adviser to two Democratic governors and now senior adviser at Manatt, Phelps & Phillips. "I think this was a case where John Banks and his team at REBNY outhustled this win [by] working the issue." (Gyory was not involved in the lobbying.)

For the industry, however, there is no rest for the weary. In another test of real estate's clout, there will be an even more intense fight in the next three months over Democrats' desire to tilt the rent-regulation system in favor of tenants. ■

*Greg David writes a regular column for CrainsNewYork.com.*

**TAX FOES' PLAN B**

**$2M**
**SALE PRICE** at which a new state tax on home purchases kicks in

**1.25%**
**MINIMUM RATE** of that tax, rising gradually to 4.15% on sales exceeding $25 million

**BILLIONAIRES ROW:** Condo owners will pay more in taxes when they sell, but not every year.

BUCK ENNIS

# VIEWPOINTS

EDITORIAL

## Albany's also-rans make a case for staying that way

Perhaps no group in Albany is more frustrated than Republicans in the state Assembly.

Relegated by gerrymandering of an already blue state to a hopelessly overwhelmed and perhaps permanent minority, all they can do to change policy is rally the public to influence lawmakers with actual power.

That is not impossible, but it takes good arguments—which the Assembly minority rarely makes.

Take, for example, some of its complaints about the state budget passed last week. It lamented that the legislation "bans single-use plastic bags and allows counties to opt in to a program that would charge 5 cents on paper bags, adding costs onto consumers' grocery bills." This outdated view assumes New Yorkers won't remember to bring reusable bags to the store, which everyone in localities with bag fees or bans has been able to do, and which all Americans did before plastic bags came into use last century.

**ASSEMBLY REPUBLICANS'** GRIPES ABOUT THE STATE BUDGET MAKE **LITTLE SENSE**

The Assembly GOP whined that the budget "reinforced the pro-criminal priorities of liberal Democrats" by "fast-tracking" criminal-justice reforms, eliminating cash bail and making procedural changes "vehemently opposed by local prosecutors." These reforms have been discussed for years and would have passed long ago if legislators had stopped grandstanding as "tough on crime" and stood up to district attorneys who did the same.

The minority moaned that Mayor Bill de Blasio got a three-year extension of mayoral control of public schools "despite schools underperforming on his watch." Actually, schools overall have improved, but that's not even the point. The debate over mayoral control is long over, as for 17 years no one has proposed a better alternative. The only problem with Albany's action is that it failed to make mayoral control permanent.

Assembly Republicans further whined that the budget authorizes the state to close three prisons with "only 90 days' notice" as opposed to the usual 365.


BUCK ENNIS

Politicians often lament that government cannot operate more like a business. Would Assembly Republicans support legislation requiring businesses to give one year's notice before closing? We assume not, unless they feel entrepreneurs who are losing money should be forced by the government to keep losing it for another 12 months.

Another gripe is that the budget creates a panel to review public financing of campaigns, "setting in motion the potential for taxpayers to fund political mailers, advertisements and robocalls." That does sound distasteful, but the current system produced the very legislators that the Assembly GOP complains about—the ones who manage to keep the chamber's minority irrelevant. With a lot of help from the conference itself. ■

OP-ED

## How to get ferry service right

### After a recent chorus of criticism, some remedies

**BY TOM FOX**

NYC Ferry has hit rough waters.

Just in the past month, city Comptroller Scott Stringer hammered the city's oversight of its ferry service and blocked the de Blasio administration's purchase of 19 new vessels. The Citizens Budget Commission documented an alarming per-ride operating subsidy of $10.73. And the *New York Post* reported 12 of 19 ferry stops are in areas with above-average incomes, indicating the subsidies are poorly targeted.

The service is important to the city, however. Ferries support growth on our former industrial waterfront, strengthen our emergency preparedness and create jobs plus recreational and educational experiences. In addition, they reduce traffic congestion and enhance the city's image as a place to live, work and visit. It's imperative that we get ferry service right.

Operated properly, NYC Ferry


NYC FERRY

can reach a reasonably subsidized stasis and make significant contributions to our city's growth, livability and sustainability. Here are six ways to improve it.

● **Change the oversight.** The city's Economic Development Corp., which planned and manages the service, should step aside as the lead agency and turn the job over to experienced professionals. We can't let ferries go the way of the New York Wheel and Amazon HQ2, two other failed EDC projects. The city's Department of Transportation is transparent and accountable, and it operates the Staten Island Ferry—the world's busiest passenger-only ferry service. It should oversee NYC Ferry.

● **Revise the fare structure.** The former East River ferry cost $4 on weekdays and $6 on weekends, and operated on a modest $1.63 per-ride subsidy. NYC Ferry should be priced like an express bus, with trip length a factor, rather than match the subway fare. Rockaway residents would pay $6 to get to Lower Manhattan more efficiently. Weekend beachgoers should pay a premium.

● **Charge tourists more.** Residents of Venice can buy low-cost monthly passes for the *vaporetto* service on the main canals. Tourists must buy more expensive day passes, as they should on NYC Ferry and the Staten Island Ferry.

● **Modify the schedules.** Slowing operating speeds by 5% to 10% would save fuel, ease crew fatigue and reduce breakdowns, maintenance and capital replacement costs.

● **Require concessionaires to own the ferries.** One model that could be emulated: the National Park Service, which is restricted to 10-year concession agreements in parks such as Yellowstone and mandates that winning bidders buy assets from operators they replace. That worked here, too; it's how Hornblower acquired the ferries it operates to the Statue of Liberty.

● **Integrate ferries with the Metropolitan Transportation Authority.** Private ferry operators have requested this idea for two decades.

The city has invested heavily in NYC Ferry. The payoff should be great. To succeed, it must be modeled after systems that have worked and be operated only by experienced maritime professionals. ■

*Tom Fox serves on the Worldwide Ferry Safety Association board. He was a founding partner of New York Water Taxi and president of Interferry, an international trade association.*

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OP-ED

# Moratorium on natural gas is wake-up call

## Builders, lenders and government must shift toward sustainability

BY SADIE MCKEOWN

Last month Con Edison stopped granting applications for natural-gas hookups in Westchester County, sending shock waves through the development community and roiling local elected leaders, affordable-housing advocates and other stakeholders. With only two months' notice and an undefined moratorium period, many developers, financiers and government partners putting together projects are being forced to overhaul them or abandon them altogether.

Now National Grid is threatening a moratorium on new gas hookups in New York City and Long Island if it doesn't get permits from the state by May 15 for a new undersea pipeline.

In Westchester, the problem is easy to understand. On the coldest days of the year, the demand on Con Ed's gas system stretches its capacity. The company claims the current system won't be able to meet future demand without access to more supply.

At its root, the problem stems from three things: significant growth in natural-gas demand created by the current development boom, increased demand from existing buildings converting to gas from dirtier energy sources such as heating oil, and more extreme heating needs as climate change brings more extremely cold winter days.

It appears as if the supply issue is at an impasse, with New York state having rejected many proposals for gas lines. Amid criticism from environmental advocates, a new pipeline has not been approved since 2013.

There's enough finger-pointing to go around. The moratorium should be a wake-up call, however, not a free-for-all. It should force us to examine how we got here, what immediate actions we could take to alleviate the supply/demand problem and how we can avoid such crises in the future.

Short-term solutions we could implement today would reduce the demand for natural gas. For example, new developments could install dual-fuel burners, which allow buildings to switch from gas to oil on the coldest days. There are also proposals to increase supply by trucking gas in and storing it locally.

Those solutions are neither permanent nor sustainable, however.

Government, development agencies, energy suppliers and advocates should take the long view and focus on comprehensive solutions with the goal of improving the energy efficiency and sustainability of future development while addressing the efficiency needs of our existing built environment.

A growing body of research indicates that 25% or more of a building's energy and water is wasted through correctable inefficiencies. Simple retrofits of multifamily buildings can reduce annual energy use by 15% to 30%. That includes upgrading lighting, installing high-efficiency HVAC equipment, updating hot-water distribution systems, creating a tighter building envelope through insulation and air-sealing, fixing water leaks and using energy-efficient appliances.

ISTOCK/CRAIN'S COMPOSITE IMAGE

Barriers still exist for many owners, however, when it comes to constructing energy-efficient buildings and upgrading existing ones. State and local governments must provide guidelines and incentives to ensure changes are economically sound and don't place an undue financial burden on building owners, particularly owners of small buildings.

In addition, state and local policy agendas need to align with building codes and regulations. Local governments need to consider changes to zoning laws and building codes to encourage or require developers to adopt common-sense efficiency measures. As the saying goes, the cheapest unit of energy is the one not used.

Owners also need access to private capital to help make efficiency projects financially feasible. Given the role lending institutions play in the financial and physical health of our buildings, the lenders ought to innovate and lead the industry toward greater efficiency. Some lenders, including my organization, are using a new method of underwriting the cost savings efficiency measures could create, and providing additional low-cost, long-term capital in the mortgage, giving owners a realistic financial pathway to include the measures in new construction and retrofits.

On the supply side, the moratorium highlights the urgent need for utility-scale renewables. Clean energy combined with demand-side energy management would dramatically relieve pressure on the supply of natural gas and help the state meet its ambitious clean-energy goals while supporting municipalities that invest in the sustainability of their building stock.

Regardless of whether those moratoriums are contrived "emergencies" aimed at pushing the state to approve new gas pipelines, they likely will have very real, disruptive effects on local revitalization and community development. New Rochelle, Yonkers and other Westchester cities are dealing with the fallout, and if National Grid imposes its own ban, Long Island and New York City also will have to scramble.

Had a comprehensive approach to reducing energy consumption been implemented a few years ago, the moratorium issue could have been avoided. It's a lesson we can—and must—apply today.

*Sadie McKeown is executive vice president and chief operating officer at the Community Preservation Corp.*

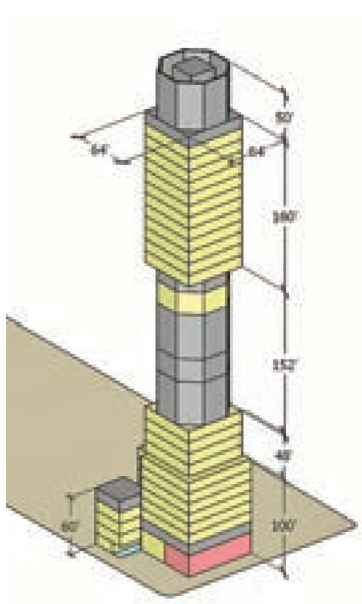
LETTER TO THE EDITOR

# No a-voiding this loophole

**YOU ARE RIGHT** to support the closure of the mechanical-void loophole, but it is a mischaracterization to say all advocates working to close zoning loopholes reflexively oppose height, as suggested in "This time, the NIMBYists are right: Close the mechanical-void loophole" (*Crain's* editorial, published April 1).

In many cases height is simply a product of exploitation of zoning loopholes that render meaningless hard-won regulations designed to create predictable development. Predictability in our development environment is good for advocates, real estate interests and communities.

No one is denying the need for more housing, particularly units that are affordable for all, but the voids we are fighting are unusable spaces serving no civic purpose. Soaring buildings composed of a few residential units and one-third empty space do nothing to address the housing crunch or the administration's affordable-housing goals.



CITYREALTY

It doesn't take a zoning expert to see that huge empty spaces are inconsistent with objectives of balanced, livable urban growth.

Astonishingly, the design of the project you featured in your editorial, 249 E. 62nd St., which has 150 feet of empty space in a central column that acts as a booster seat for the luxury units at the top, will be unaffected by the city's proposed fix because the void is now characterized as outdoor space.

But there is another way. Proposed amendments to the Multiple Dwelling Law have been introduced in the state Legislature by Assemblywoman Linda Rosenthal and Sen. Robert Jackson. The amendments are a more complete solution to common zoning loopholes. They set a hard cap on "free" mechanical spaces up to 5% of the total building, count open-air voids as floor area, limit free mechanical floors to 20 feet and force buildings with unusually tall ceiling heights to count those areas as floor area multiple times. Significantly, the amendments would not hinder affordable housing, which rarely uses such tactics.

Although the city's proposal is a step forward, the state bill has the potential to cure many of the zoning loopholes in one fell swoop.

**RACHEL LEVY**
**Executive director**
**Friends of the Upper East Side Historic Districts**

### NOT ON MY DIME

Re "De Blasio slams brakes on BQE reconstruction" (CrainsNewYork.com):

Can the difference in costs between the opposing plans be determined? If protecting the view for the well-heeled costs double, I'm all for it, as long as they pay the additional costs.

Education and environment should be the only issues that have a fiscal priority in this city, not the aesthetics for a small minority. We need every cent we can find to address those two priorities.

**RODNEY SEELIG**

### OIL SWITCHERS

Your article "Business groups say natural-gas delivery has reached a crisis point" (published March 4), about the increasing likelihood of natural-gas shortages in the extended New York area (New England too) because of the lack of pipelines and the related attempts by mulchyheads to block new ones, described the cutoffs already affecting some customers.

You mentioned "the price spikes during cold snaps that push some large customers to switch temporarily to oil." But many of those customers are beneficiaries of special, lower rates than their neighbors. They get the discounts specifically by signing up for natural gas as an "interruptible supply," where they'd have to switch to oil at the request of the utility.

Accordingly, they're making a bet that the winter will be mild and they'll save more money by getting the cheaper rate than the additional expense of converting to oil. So there's no need to cry tears for them when the cold waves hit.

**DANNY BURSTEIN**
**Ypsilanti, Mich.**

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# A recipe for building a pizza and burger empire

## Pizza Loves Emily keeps dining low-maintenance

**BY CARA EISENPRESS**

Making pizza at one of the two New York City locations of Emmy Squared follows a standard procedure: Dough for the thick, "Detroit style" square slices rises on baking sheets, then is topped with quality ingredients and cooked on conveyor belts in a gas oven with consistent heat.

Likewise, the recipe for the double-stack burger at the 84-seat Emily in the West Village is structured so cooks can "produce a lot, and consistently," said Matt Hyland, co-owner and executive chef. "If I walk away, people can follow simple instructions to make it," said Hyland, who runs the restaurants with his wife, Emily Hyland, and two other partners.

Contrast that with the culinary approach at the original Emily restaurant in Clinton Hill, Brooklyn, where Matt says the burger, served with melted cheddar and a proprietary sauce on a pretzel bun, needs love and attention. "We treat it more like a steak," he said. Same idea at Violet on East Fifth Street, the newest restaurant in the group, where Matt does the cooking himself. "It's [our] first restaurant with a grill and seafood," he said, "toys I didn't get to play with before."

At their six restaurants—five in New York and one in Nashville—the Hylands haven't just cracked the code on tasty burgers and pizza that trend on Instagram. By balancing scalable restaurant concepts with smaller, hands-on eateries, the group, Pizza Loves Emily, is establishing a new model for culinary businesses at a time when running a mom-and-pop spot isn't easily profitable.

### Food by formula

The Pizza Loves Emily story starts like many creative journeys. In 2013 the Hylands drove by a shuttered storefront on Fulton Street in Brooklyn and decided to follow a dream: running a neighborhood restaurant. They opened Emily, which got critical attention for pies that featured both standard toppings such as pepperoni and unlikely pairings, like tomatillo sauce with olives.

"IF I WALK AWAY, **PEOPLE CAN FOLLOW SIMPLE INSTRUCTIONS** TO MAKE THE PIZZA AND BURGERS"

As Emily Hyland, a former teacher, figured out how to hire and train staff and welcomed regulars at the front of the house, Matt, an Institute of Culinary Education–trained chef who had worked at Pizza Moto, added a burger to the menu.

In early 2015 the food media discovered the Emily burger. Soon customers flooded the restaurant and the Instagram account @pizzalovesemily, which now has 67,000 followers. So many foodies lined up that the Hylands decided to open a bar next door to ease the wait. That's when the next breakthrough happened: As Matt developed a square pie to sell by the slice at the bar, he designed the process so that he could delegate the pizza-making to other staff. (The deal for the next-door space fell through, however, and the first bar and pizzeria, Emmy Squared, actually opened in Williamsburg in 2016.) In the process of making his own life easier, Matt had stumbled on a smart business idea: Making great pizza didn't have to be an artisanal process.

Along with the customers and social-media followers, investors heard the buzz. In 2016 the couple brought on two equal partners, Ken Levitan and Howard Greenstone, experienced restaurant operators who saw something scalable in the square pizzas and double burgers. The Hylands took on new roles, with Matt overseeing chefs at each location and Emily becoming COO. A business strategy developed: Optimize the food, keep real-estate and build-out costs low by leasing spaces already outfitted for food service, and turn over tables quickly. The goal, Greenstone said, is to open each restaurant for less than $1 million. The group's largest location, Emily on Downing Street, serves 500 to 600 guests on a busy Saturday, making it one of the highest-turnover restaurants in the city.

"It's not coursed service—we're a pizza restaurant," Greenstone said. The restaurants, which average 50 employees each, bring in about $1,500 per square foot annually, on average, he said. A lot of that revenue gets reinvested; Emmy Squared is planning to expand to Boston, Philadelphia and Washington, reaching a pace of four openings per year.

Even as the company grows, the Hylands, who separated in 2017, are taking a step back. "We always thought, What would it be like if one day we could do just what we wanted to do?" Emily said. For her, that has meant ceding the operational duties. She now oversees just the group's beverages as well as its cultural initiatives. She has begun teaching again—yoga and English at CUNY's College of Technology.

And Matt is grateful to be back in the kitchen at Violet. "To have a 50-seat restaurant, it's tough to do unless you have something scalable making money," he said. "The fact that we have others generating income makes a passion project easier to pull off." ■

**EMILY AND MATT HYLAND** started with pizza but now have six restaurants and more menu options.

BUCK ENNIS

## FOCAL POINTS

**NAME** Pizza Loves Emily Group

**FOUNDED** 2014, as just Emily

**RESTAURANTS** Emily in Clinton Hill, Brooklyn, and in the West Village; Emmy Squared in Williamsburg, the East Village and Nashville; Violet in the East Village

**FULL-TIME EMPLOYEES** 300

**OWNERS** Emily Hyland, Matt Hyland, Howard Greenstone and Ken Levitan

**2018 REVENUE** "North of $15 million"

**PROJECTED THREE-YEAR GROWTH** About 40% annually

**WEBSITE** pizzalovesemily.com

# TINA BROWN Tina Brown Live Media

**INTERVIEW BY AMY CORTESE**

Tina Brown, former *Vanity Fair* and *New Yorker* editor, has produced events and podcasts focused on women's issues globally for the past decade. She expects 2,500 attendees daily for her 10th annual Women in the World Summit, a "Woodstock for women's ideas," at Lincoln Center April 10 through 12.

**What is Tina Brown Live Media?**
We focused for the first few years on live events; that's our specialty. We now want to grow our newsletter, digital team and podcast [*TBD With Tina Brown*], and we're moving into other kinds of content as well. I have a wonderful partner, Marisa Farina. She's a whiz. She has increased our revenue by 28% this year.

**Who are your competitors?**
We compete with pretty much every live idea thing out there. But there really isn't anything quite like Women in the World. It's a platform that is about the intersection of women and news. My team are journalists. They're not conference producers.

**So many media companies now produce live events.**
They're also using the term live journalism, which I invented! People are hungry to have experiences. We all scroll through the news, but when you're actually talking to someone who's telling you what it's actually like to live in one of these places behind the headlines, people find it really riveting. It goes back to the whole personal luxury of an experience.

## DOSSIER

**WHO** Founder and CEO, Tina Brown Live Media/Women in the World

**BORN** Maidenhead, England

**RESIDES** Upper East Side

**EDUCATION** Bachelor's in English literature, University of Oxford

**ENTRY** Tickets for Women in the World range from $75 to $400.

**OPTIONED** Brown's memoir, *Vanity Fair Diaries,* is being made into a streaming series by writer Rachel Caris Love of *Blindspot* fame.

**BEST POWER-LUNCH SPOT?** "My house."

**What does that mean for print?**
Screens have won, no doubt about it. I don't know whether our kids, who are digital natives, will start to feel that print has vintage fascination. But I wouldn't want to say print is dead.

**What do you make of Apple's latest foray into content?**
Apple has always stood for quality. I'm a complete and utter Netflix-Amazon-Hulu vulture. I watch everything! At the same time, the volume is intense, so you still have to search. If Apple can be the place you can go, knowing it's going to be quality, that could be huge.

BUCK ENNIS

**It also said it plans to take half the profits from a news subscription service with 300 media partners.**
The digital medium has feasted upon journalism for too long. And one hopes that [the media] won't end up once again feeling bullied to do it. That's what happened with Facebook. I would urge Apple to start its own news platform and hire journalists and proper editors. It has the funds. I always felt that's something Mark Zuckerberg could have done: pledged $2 billion to local journalism. He would have had much better press.

**The theme of Women in the World is "Can women save the world?" Are you optimistic about that?**
We're moving into an interesting moment when you're seeing a new respect for women's wisdom. Women do seem to have that kind of grown-up gene that tries, at any rate, to be responsible. We need that right now, because it's a very volatile world.

**How has the summit changed since you started it?**
In 2009 there was so little happening in this space. American feminism was in a fairly torpid state. I was excited about global feminism, which I saw as the real activator in the world and something that American women should learn about because it would energize them too. Since #MeToo, it's now become Topic A, and I feel we've been very much at the forefront of that.

**How has the broader environment for women evolved?**
It's made huge strides, and there are places where it seems unchanged. There are actually fewer [female] *Fortune* 500 CEOs this year than last year. You have to ask how that could be, given all the noise about it. ■

# TOP-PAID HOSPITAL EXECUTIVES AND DOCTORS

Ranked by 2017 cash compensation

## Good prognosis for salaries

### Shakeups at the top, but earnings still set records

Compensation for city hospital executives and doctors climbed in 2017 for the fourth straight year. Hospital employees had to earn more than $2.1 million to rank on *Crain's* lists. The most notable increase came at the top of the executives list: Kenneth Davis, Mount Sinai Health System president and chief executive, took home nearly $12.4 million in cash compensation—the most any executive had received in five years.

For Davis, who had earned nearly $4.1 million in each of the previous four years, the rise was a one-time deal. He collected a supplemental executive retirement plan benefit of $8.3 million, a sum intended to fund the longtime CEO's retirement after four decades at Mount Sinai.

Not all hospital employees stay in their role long enough to make it onto *Crain's* rankings annually. There are six new doctors and seven new executives in this edition. The appearance of one new executive will be short-lived: **José Baselga** (No. 24) resigned in September from his post as Memorial Sloan Kettering's physician-in-chief and chief medical officer.

Baselga stepped down after an investigation by *The New York Times* and ProPublica revealed that his financial ties to the drug industry were rarely disclosed in his research articles. The oncologist and researcher had lucrative corporate relationships with pharmaceutical giants Bristol-Myers Squibb and Roche as well as small biotech startups investigating new cancer therapies.

Baselga's place on the top-paid executives list may be tenuous, but he has landed on his feet. In January AstraZeneca named him executive vice president of research and development in oncology—a role the European drugmaker created in order to expand its research in cancer treatments.

*— Gerald Schifman*

### RAISE CRAZE

Mount Sinai's retirement plan payment propelled Kenneth Davis to the top of the executives ranking. Three other administrators also received raises of more than $2 million. At the same time, the jumps in doctors' pay were more muted.

**EXECUTIVES**

| Kenneth Davis, M.D. (No. 1) | Barry Ostrowsky (No. 4) | Susan Green-Lorenzen (No. 12) | Dennis Connors (No. 14) | Andrew Racine, M.D. (No. 20) |
|---|---|---|---|---|
| +$8.3M | +$2.9M | +$2.2M | +$2.1M | +$1.5M |

**DOCTORS**

| Mark Bilsky, M.D. (No. 12) | Frank Schwab, M.D. (No. 6) | Angelo Reppucci, M.D. (No. 20) | Han Jo Kim, M.D. (No. 8) | Richard Shlofmitz, M.D. (No. 3) |
|---|---|---|---|---|
| +$1.5M | +$0.6M | +$0.3M | +$0.3M | +$0.3M |

**NOTE:** Raise rankings omit four doctors whose 2016 cash compensation is not available.

**$234K**

**AVERAGE AMOUNT** of "other" compensation, such as deferred pay and health care benefits, by the 50 doctors and executives on the lists

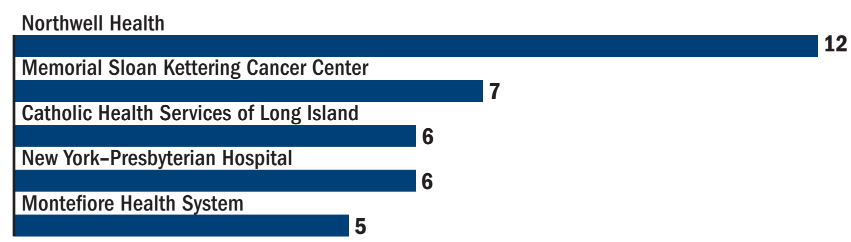
**$3.4M**

**AMOUNT** José Baselga reportedly received from outside medical companies between 2013 and 2016

**SOURCE:** ProPublica Dollars for Docs database

### BUSINESS AS USUAL

Maintaining its lead from previous years, Northwell Health employed the most staffers on *Crain's* lists again in 2017. Memorial Sloan Kettering ascended to No. 2 after placing fourth last year.




**SOURCE:** *Crain's* analysis of Form 990 2016 and 2017 tax filings

## TOP-PAID EXECUTIVES

| RANK | NAME/TITLE | HOSPITAL/SYSTEM | TOTAL CASH COMP. FROM ORG./FROM RELATED ORGS. | OTHER COMP. |
|---|---|---|---|---|
| 1 | Kenneth Davis, M.D.[1] *president and chief executive* | Mount Sinai Health System | $12,390,588 $4,134,739/$8,255,849 | $67,326 |
| 2 | Steven Corwin, M.D.[2] *president, chief executive and trustee* | New York-Presbyterian Hospital | $7,255,558 $7,255,558/$0 | $151,894 |
| 3 | Robert Grossman, M.D.[3] *dean and chief executive* | NYU Langone Health | $5,674,384 $2,837,192/$2,837,192 | $2,084,520 |
| 4 | Barry Ostrowsky *president and chief executive* | RWJBarnabas Health | $5,659,339 $5,659,339/$0 | $39,736 |
| 5 | Steven Safyer, M.D.[4] *president and chief executive* | Montefiore Health System | $5,417,628 $0/$5,417,628 | $43,471 |
| 6 | Michael Dowling *president and chief executive* | Northwell Health | $4,041,927 $0/$4,041,927 | $54,840 |
| 7 | Craig Thompson, M.D. *president and chief executive* | Memorial Sloan Kettering Cancer Center | $3,878,482 $3,878,482/$0 | $1,443,976 |
| 8 | Robert Garrett[5] *co-chief executive* | Hackensack Meridian Health | $3,847,854 $3,847,854/$0 | $847,578 |
| 9 | Alan Guerci, M.D.[6] *president and chief executive* | Catholic Health Services of Long Island | $3,776,985 $3,776,985/$0 | $400,495 |
| 10 | John Lloyd[7] *co-chief executive* | Hackensack Meridian Health | $3,509,320 $3,509,320/$0 | $883,921 |
| 11 | Laura Forese, M.D.[8] *executive vice president and chief operating officer* | New York-Presbyterian Hospital | $3,491,555 $3,491,555/$0 | $259,302 |
| 12 | Susan Green-Lorenzen[9] *senior vice president, operations* | Montefiore Health System | $3,344,342 $3,344,342/$0 | $41,544 |
| 13 | Maxine Frank[10] *special adviser to the president and chief executive* | New York-Presbyterian Hospital | $3,215,185 $3,215,185/$0 | $56,527 |
| 14 | Dennis Connors[11] *senior vice president, regional executive director* | Northwell Health | $3,186,626 $3,186,626/$0 | $485,641 |
| 15 | Thomas Biga *president, hospital division* | RWJBarnabas Health | $3,083,626 $3,083,626/$0 | $45,311 |
| 16 | Andrew Brotman, M.D. *senior vice president, vice dean and chief clinical officer* | NYU Langone Health | $2,967,244 $1,483,622/$1,483,622 | $50,666 |
| 17 | Louis Shapiro *president and chief executive* | Hospital for Special Surgery | $2,935,758 $2,348,606/$587,152 | $75,336 |
| 18 | Kathryn Martin *chief operating officer* | Memorial Sloan Kettering Cancer Center | $2,816,680 $2,816,680/$0 | $584,614 |

## TOP-PAID DOCTORS

| RANK | NAME/TITLE | HOSPITAL/SYSTEM | TOTAL CASH COMP. FROM ORG./FROM RELATED ORGS. | OTHER COMP. |
|---|---|---|---|---|
| 1 | David Samadi, M.D. *chair, urology* | Lenox Hill Hospital | $6,793,426 $6,793,426/$0 | $58,123 |
| 2 | Joseph Levine, M.D. *chief, electrophysiology* | St. Francis Hospital | $6,421,284 $6,421,284/$0 | $44,457 |
| 3 | Richard Shlofmitz, M.D. *chair, cardiology* | St. Francis Hospital | $4,523,903 $4,523,903/$0 | $42,979 |
| 4 | Sathish Subbaiah, M.D. *chief, neurosurgical spine surgery* | St. Charles Hospital | $4,054,986 $4,054,986/$0 | $23,449 |
| 5 | Morgan Chen, M.D. *chief, orthopedic spine surgery* | St. Charles Hospital | $3,840,001 $3,840,001/$0 | $54,861 |
| 6 | Frank Schwab, M.D. *chief, spine service* | Hospital for Special Surgery | $3,820,321 $3,820,321/$0 | $58,408 |
| 7 | Mark Urken, M.D. *chief, head and neck surgical oncology* | Beth Israel Medical Center | $3,526,026 $3,526,026/$0 | $51,557 |
| 8 | Han Jo Kim, M.D. *orthopedic surgeon* | Hospital for Special Surgery | $3,513,618 $3,513,618/$0 | $50,062 |
| 9 | Robert Michler, M.D. *chair, cardiothoracic and vascular surgery* | Montefiore Medical Center | $3,505,333 $3,505,333/$0 | $43,538 |
| 10 | Jacob Shani, M.D. *chair, cardiology* | Maimonides Medical Center | $3,499,544 $3,499,544/$0 | $39,342 |
| 11 | Sheeraz Qureshi *associate attending orthopedic surgeon* | Hospital for Special Surgery | $3,236,769 $3,236,769/$0 | $46,902 |
| 12 | Mark Bilsky, M.D. *neurosurgeon* | Memorial Sloan Kettering Cancer Center | $3,209,703 $3,209,703/$0 | $367,921 |
| 13 | Eugene Krauss, M.D. *director, orthopedic surgery* | North Shore University Hospital | $3,007,574 $3,007,574/$0 | $48,848 |
| 14 | Lyle Leipziger, M.D. *chief, division of plastic surgery* | Long Island Jewish Medical Center | $2,961,345 $2,961,345/$0 | $58,123 |
| 15 | Bernard Bochner, M.D. *chair, surgery* | Memorial Sloan Kettering Cancer Center | $2,842,055 $2,842,055/$0 | $70,417 |
| 16 | Philip Gutin, M.D.[1] *chair, neurosurgery* | Memorial Sloan Kettering Cancer Center | $2,828,868 $2,828,868/$0 | $57,489 |
| 17 | Hedvig Hricak, M.D. *chair, radiology* | Memorial Sloan Kettering Cancer Center | $2,520,184 $2,520,184/$0 | $93,569 |
| 18 | Neil Tanna, M.D. *chief, plastic surgery* | Long Island Jewish Medical Center | $2,479,400 $2,479,400/$0 | $58,081 |

# TOP-PAID HOSPITAL EXECUTIVES AND DOCTORS

## TOP-PAID EXECUTIVES

| RANK | NAME/TITLE | HOSPITAL/SYSTEM | TOTAL CASH COMP. FROM ORG./FROM RELATED ORGS. | OTHER COMP. |
|---|---|---|---|---|
| 19 | Edward Dinan[12] *president and chief executive* | New York-Presbyterian Lawrence Hospital | **$2,810,487** $2,810,487/$0 | **$19,661** |
| 20 | Andrew Racine, M.D.[13] *senior vice president and chief medical officer* | Montefiore Health System | **$2,701,699** $2,701,699/$0 | **$43,538** |
| 21 | Philip Ozuah, M.D.[14] *president* | Montefiore Health System | **$2,578,552** $0/$2,578,552 | **$1,226,969** |
| 22 | Mark Solazzo[15] *executive vice president and chief operating officer* | Northwell Health | **$2,473,309** $2,473,309/$0 | **$782,518** |
| 23 | Andria Castellanos[16] *group senior vice president and chief operating officer* | New York-Presbyterian Hospital | **$2,432,809** $2,432,809/$0 | **$72,293** |
| 24 | José Baselga, M.D.[17] *physician-in-chief and chief medical officer* | Memorial Sloan Kettering Cancer Center | **$2,427,171** $2,427,171/$0 | **$250,816** |
| 25 | Phyllis Lantos[18] *special adviser to the president and chief executive* | New York-Presbyterian Hospital | **$2,409,839** $2,409,839/$0 | **$60,883** |

## TOP-PAID DOCTORS

| RANK | NAME/TITLE | HOSPITAL/SYSTEM | TOTAL CASH COMP. FROM ORG./FROM RELATED ORGS. | OTHER COMP. |
|---|---|---|---|---|
| 19 | Alan Hartman, M.D. *chair, cardiovascular and thoracic surgery* | North Shore University Hospital | **$2,389,426** $2,389,426/$0 | **$58,123** |
| 20 | Angelo Reppucci, M.D. *co-director, practice site* | Long Island Jewish Medical Center | **$2,342,416** $2,342,416/$0 | **$58,081** |
| 21 | George Petrossian, M.D. *director, interventional cardiovascular procedures* | St. Francis Hospital | **$2,311,249** $2,311,249/$0 | **$51,840** |
| 22 | Mark Sultan, M.D. *chief, plastic and reconstructive surgery* | Beth Israel Medical Center | **$2,298,573** $2,298,573/$0 | **$15,188** |
| 23 | Varinder Singh, M.D. *chair, cardiovascular medicine* | Lenox Hill Hospital | **$2,265,476** $2,265,476/$0 | **$58,123** |
| 24 | David Langer, M.D. *chair, neurosugery* | Lenox Hill Hospital | **$2,218,652** $2,218,652/$0 | **$58,123** |
| 25 | Samuel Scheinerman, M.D. *chair, cardiovascular and thoracic surgery* | Lenox Hill Hospital | **$2,143,860** $2,143,860/$0 | **$48,848** |

**SOURCE:** 2017 Forms 990 of New York area hospitals and health systems. Area includes the city's five boroughs plus Nassau, Suffolk and Westchester counties in New York and Bergen, Essex, Hudson and Union counties in New Jersey. Research by Melinda Berkman and Gerald Schifman. **Total cash compensation** includes base compensation, bonus and incentive compensation and other reportable compensation from the organization and related organizations. **Other compensation includes** nonreportable compensation, deferred compensation, retirement plan benefits, health care benefits and other fringe benefits from the organization and related organizations. Hospital employee compensation may not include medical school pay. Individuals may have additional titles. SERP-supplemental executive retirement plan. KEYSOP-key employee share option plan. **Notes on top-paid executives: 1**-Figures were drawn from Mount Sinai Hospital's Form 990. Compensation includes a one-time SERP payment of $8,300,000. This includes contributions reported in previous years. **2**-Compensation included a $88,645 participation in a supplemental nonqualified retirement plan, with $2,045,724 reported on the W-2. **3**-Compensation included a $2,052,365 contribution to a SERP, with costs shared between NYU Hospitals Center and NYU School of Medicine. **4**-Compensation included a pooled SERP distribution of $1,696,025. **5**-Compensation included a $596,700 SERP participation, $77,476 in vested KEPSOP benefits, a retention bonus and benefits in a nonqualified deferred compensation plan. **6**-Compensation includes a $342,000 participation in a supplemental nonqualified retirement plan, with $1,568,553 vesting in the plan. **7**-Retired on December 31, 2018. Compensation included a $516,500 SERP participation along with benefits in a nonqualified deferred compensation plan. **8**-Compensation included a $213,319 nonvested participation in a supplemental nonqualified retirement plan, with $432,403 reported on the W-2. **9**-Compensation included a pooled SERP distribution of $2,163,042. **10**-Frank was previously the executive vice president, chief legal officer and general counsel at New York-Presbyterian Hospital. Compensation included a $1,161,764 participation in a supplemental nonqualified retirement plan as reported on the W-2. **11**-Connors retired Dec. 31, 2017. Compensation included an unvested $446,067 SERP contribution. **12**-Dinan retired Sept. 11, 2015. Compensation included $753,741 in severance pay. W-2 includes $2,061,884 in a supplemental nonqualified retirement plan. **13**-Compensation included a pooled SERP distribution of $1,492,377. **14**-Ozuah was previously executive vice president and chief operating officer. Compensation included $1,183,675 in SERP accrued and unpaid service costs. **15**-Compensation included $741,285 in unvested SERP contributions. **16**-Castellanos left in August 2017 and received 282,692 in severance pay. Compensation included a $97,753 participation in a supplemental nonqualified retirement plan as reported on the W-2. **17**-Resigned in September 2018. **18**-Lantos was previously executive vice president, chief financial officer and treasurer. Compensation included a $114,653 participation in a supplemental nonqualified retirement plan as reported on the W-2. **Notes on top-paid doctors: 1**-Retired in December 2017.

# GARAGES

FROM PAGE 3

and short-term rentals à la Zipcar have made it easier to get around without a car. And in another decade or so, self-driving cars could change the parking equation altogether and highlight another benefit of automated operations: They're uniquely equipped to serve autonomous vehicles.

For now, however, robotic-system operators say they give developers a solid return on investment.

“You're able to provide parking capacity within a much smaller volume and get revenue generation from the volume you free up,” said Goldberg, who is U-tron's executive vice president of sales and marketing. In addition, the systems are now streamlined operations that let users deposit and pick up their car with the swipe of a chip or the tap of a phone app.

“At the end of the day, parking becomes the differentiator the developer is looking for,” he said.

“DEVELOPERS WANT TO **ATTRACT BUYERS**. THAT'S WHERE WE COME IN”

That was the thinking behind a 12-story residential condo development in Park Slope that will feature an automated system at its expected completion in 2021. Located at 167-174 Fourth Ave., the project will have a 22-car garage inside a 3,500-square-foot basement.

Users will drive their car onto a palette on a ground-floor bay—essentially an elevator that lowers the vehicle to a basement conveyor belt, which moves the palette to a storage spot. The modular system does not need a ramp, room for a driver to turn the car or—as there are no exhaust fumes—space for ventilation.

“If it was not an automated garage, I might be able to get eight or nine parking spaces,” said Gordon Gemma, a Jersey City–based real estate executive who represents the project's Argentinian owner, Claudio Soifer. “I now have 22.”

For reasons of location and the lot's size—less than 15,000 square feet—the Park Slope project is not required to include off-street parking for its 59 condos. Gemma considers the garage a high-end attraction for the affluent homeowners the project wants to attract—which makes the system worth its roughly $50,000-per-unit cost.

He and the owner will be looking to sell off both the residential and parking units—another reason the garage could be a good investment. If the property were a rental and they were planning to hold on to the building for years to come, parking would not be Gemma's first choice for that basement space.

“Demand for parking is going to diminish,” he said. “I'd probably see what I could do in terms of the things that people who rent units today find more attractive, such as a larger gym or more storage space.”

He has already dealt with slowing demand for parking in Jersey City properties in which he has an interest: Some of those residential garages are now renting parking spots to Hertz and Enterprise, whose cars the buildings' millennial residents take out for weekend trips.

BUCK ENNIS

**TIGHT FIT:** Nash of Gotham Parking Systems brought this 5BY2 Puzzle Parking System to 152 Elizabeth St.

## Filling a niche

Robotic-parking companies such as U-tron may now be seeing record growth, but there could be limits to how big they can get as a business. Experts say the appeal of the systems is pretty much limited to the more densely populated parts of the world.

“They do particularly well in places where space is at a premium, like Japan, where they're doing much better than in the United States,” said Jerry Marcus, president of the Parking Advisory Group, a consulting firm outside Houston, Texas. Where space is not at a premium, as in much of the country aside from a few major cities, it's far cheaper to build a conventional garage.

“I live in Texas. We have nothing but land,” Marcus said. “If I can put in a ramp, I'm going to beat that automated garage every time.”

But if robotic garages are filling a niche, it's a niche with a lot of opportunity. Just like the Park Slope condo developers, luxury-building landlords in Manhattan want to offer parking as a high-end amenity, and they need the garage to fit in a tight space.

“Developers want to attract buyers, and they want to do it without losing their gym,” said Woody Nash, president of Gotham Parking Systems in Morristown, N.J. “That's where we come in.”

Nash is the U.S. rep for Dutch automated-parking manufacturer 5BY2, which last year was acquired by German materials-handling firm Lödige Industries. He does most of his business in New York, where 5BY2 has systems operating at 152 Elizabeth St. and 24 Leonard St., and has systems under construction at four other projects, including three in SoHo and one in Williamsburg.

With the increase in New York state's minimum wage to $15 an hour, robotic systems make for a stronger pitch to developers looking to partner with a commercial garage operator.

Labor costs make up 30% to 50% of operating expenses for valet garages, said Samuel Stelzer, head of investments and acquisitions at American Development Group. The West Hempstead, Long Island, company is the parent of automated-parking operator Willoughby Operating Co., which works with its affiliate, Automotion Parking Systems, to build automated garages. “I can show developers I can run a more profitable parking business,” Stelzer said.

He added that the firm, which operates residential and commercial systems, expects to roughly double the number of garages it operates in the metro area to 15 by 2021.

That number may not include the massive Willoughby Square Park robotic garage in Downtown Brooklyn, a proposed commercial project that American Development Group was working on with the city's Economic Development Corp. The project, originally slated to serve 700 cars (the company later proposed downsizing it to 470), appeared to fall through last year over problems with financing.

Stelzer said conversations about the project were ongoing but declined to say with whom. According to an EDC official, there are no conversations taking place with the city.

## Room for growth

Stelzer sees the greatest room for growth in the outer boroughs. He pointed out that parking is still required for developments in most outer-borough neighborhoods, the area has more drivers, there is less congestion than in Manhattan, and construction is on the rise.

“Brooklyn and Queens and Jersey City are where transportation trends are still a lot more attractive,” Stelzer said. “The outer boroughs are also seeing density increasing massively. You're going to see a lot more automated garages there.”

And when cars are driving themselves—whether as personal vehicles or as part of shared fleets—the robotic garages will be ready to receive them.

“A computer-controlled vehicle communicating with a computer-controlled system allows for autonomous parking and payment,” U-tron's Goldberg said. “We are at work on that from our angle, as are some of the autonomous vehicle manufacturers.” ■

TRANSPORTATION

# Lyft launches pooled-ride service

### Shared Saver has users walk a few blocks for pickups

BY MATTHEW FLAMM

Lyft has rolled out a pooled-ride service in New York that aims to undo some of the damage the company has suffered from new regulations while potentially cutting congestion.

Last week the company said that Shared Saver—Lyft's “most affordable shared-ride service yet”—had launched here following its introduction in Denver and San Jose in February.

In exchange for a cheaper fare, users will have to walk a few blocks to their pickup point; destinations will be a short walk from where they'll be dropped off.

The model is essentially the same one pioneered by Via and introduced in New York in the fall by Uber as its Express Pool service. The short walk at each end of the trip allows the service to figure out the most efficient route for the greatest number of passengers.

There is an added benefit to Shared Saver in New York: The city's congestion-pricing surcharge, which is levied on for-hire trips in Manhattan below 96th Street and ordinarily adds $2.75 to a ride-hail fare, drops to 75 cents per rider if the trip is pooled, even if the car ends up with only one passenger.

Lyft could use the help of a lower-priced service: It is currently suing the city's Taxi and Limousine Commission over new minimum-wage regulations that the company says have led to higher fares and decreased ridership.

According to Lyft's announcement, drivers will be paid the same as they are for standard rides “while benefiting from the increased demand for riders.”

The congestion-pricing surcharge is also eating into overall hired-car ridership, according to taxi industry representatives and driver groups, which have been fighting the state-imposed fee. (Both Lyft and Uber support congestion pricing because they believe they ultimately will benefit from less congestion.)

Taxi groups have decried the 75-cent fee on pooled rides, saying it gives e-hail operators an advantage and is open to abuse. Taxis are charged $2.50 per ride under congestion pricing regardless of how many passengers they carry. ■

# FOR THE RECORD*

## NEW IN TOWN

■ **Brain Food**
**967 Bedford Ave., Brooklyn**
A fast-casual vegan café opened in Bedford-Stuyvesant, where it offers mostly grab-and-go options.

■ **Citiva**
**202 Flatbush Ave., Brooklyn**
Brooklyn's first medical-marijuana dispensary landed in Prospect Heights. Medical-marijuana cardholders can stock up on a variety of products and other goods such as vape tools and T-shirts.

■ **Golden Diner**
**123 Madison St.**
Momofuku alum Samuel Yoo opened a restaurant in Chinatown that fuses Asian and diner foods. The menu offers breakfast go-tos including omelets and homemade granola with yogurt but also items such as chicken katsu sandwiches.

■ **Shibuyala**
**37 St. Marks Place**
The Los Angeles–based beauty-store chain expanded to the city. The East Village shop sells more than 6,000 products.

■ **Tailfeather**
**581 Myrtle Ave., Brooklyn**
The new Clinton Hill wine bar serves natural wines as well as craft beers and bar snacks such as charcuterie and cheese boards. Wine flights are $10 on Tuesdays.

## MOVES AND EXPANSIONS

■ **Big Alice Brewing**
**52 34th St., Brooklyn**
The Long Island City brewery branched out to Sunset Park, where it opened a barrel room in Industry City. On the menu are seasonal selections such as sweet potato farmhouse ale and a jalapeño rye brew.

■ **BLT Prime**
**1032 Lexington Ave.**
The once-shuttered, upscale Gramercy-based steakhouse was resurrected in a new space on the Upper East Side. The eatery can seat 140 people on its two floors of diner space.

■ **Pepper Lunch**
**243 W. 54th St.**
One of Midtown's Ikinari Steak locations is now a Japanese fast-casual *teppan* restaurant. Diners can cook their own dishes on a small iron platter.

■ **Serra Fiorita**
**200 Fifth Ave.**
Eataly's summer-only rooftop spot, once known as Serra by Birreria, has rebranded itself and is already open. Spritz cocktails, natural wines and farm-to-table fare are on the menu.

■ **Whole Foods Market Daily Shop**
**250 Seventh Ave.**
The former Whole Body adjacent to the Chelsea Whole Foods Market has been transformed into a bodega-like convenience store. But aside from grab-and-go fresh fruits, sandwiches and ice cream, there is kombucha on tap and self-serve açaí bowls. Shoppers checkout on automated registers.

## BANKRUPTCIES

■ **Bay Terrace Plaza d/b/a Allora Italian Kitchen & Bar**
**210–35 26th Ave., Queens**
The Italian restaurant filed for Chapter 11 bankruptcy protection March 21. The filing cites estimated assets of $100,001 to $500,000 and liabilities of $1,000,001 to $10 million. There were no creditors with unsecured claims.

■ **Café Service Co. Inc.**
**11–06 Broadway, Queens**
The taxi-repair shop filed for Chapter 11 bankruptcy protection March 22. The filing cites estimated assets of $100,001 to $500,000 and liabilities of $1,000,001 to $10 million. The creditor with the largest unsecured claim is Mega Funding Corp., owed $1,014,692.

■ **Peeq Media**
**30–00 47th Ave., Long Island City**
The graphics and imaging company filed for Chapter 11 bankruptcy protection March 19. The filing cites estimated assets and liabilities of $0 to $50,000. There are no creditors with unsecured claims.

## STOCK TRANSACTIONS

■ **Tiffany & Co. (TIF-N)**
Director Lawrence Fish sold 8,128 shares of common stock for $103.58 per share March 26 in a transaction worth $841,934. He now holds 14,016 shares.

■ **Verizon Communications (VZ-N)**
General counsel Craig Silliman sold 1,349 shares of common stock for $60.39 per share March 29 in a transaction worth $81,344. He now holds 33,388 shares.

■ **Scholastic Corp. (SCHL-O)**
CEO Richard Robinson sold 500 shares of common stock for $39.95 per share March 27 in a transaction worth $19,973. He now holds 4,013,018 shares.

## REAL ESTATE

### RETAIL

■ Collective Arts Brewery agreed to take 16,000 square feet at **519–529 Third Ave.**, Brooklyn. The Canadian beer-maker plans to open its first brewery in Gowanus. The asking rent for the 15-year lease was $49 per square foot. There were no brokers involved in the transaction between the landlord, Serbijt Singh, and the tenant.

■ Streetwear boutique Woodstack took 7,500 square feet at **1357 Flatbush Ave.**, Brooklyn. TriState Commercial Real Estate Services brokered the deal for the tenant and the landlord, Hello Living.

■ GreenbergFarrow signed an eight-year lease for 7,077 square feet at **251 W. 30th St.** in Chelsea. The architecture firm, which designed the Ikea store in Brooklyn, plans to move from 44 W. 28th St. The landlords, HSP Real Estate Group and Marciano Investment Group, were represented by Newmark Knight Frank. Colliers International represented the tenant. The asking rent was $58 per square foot.

■ Thai Sliders inked a 15-year lease for 5,765 square feet at **27 Cliff St.** in the Financial District. The restaurant plans to move from 108 John St. Meridian Capital Group brokered for the tenant and the landlord, Greenroad Capital. The asking rent was $80 per square foot.

■ Grit Bxng nabbed a 5,500-square-foot lease for 15 years at **9 E. 16th St.** The boutique boxing studio plans to open in Union Square. It will occupy 3,500 square feet on the ground floor and 2,000 square feet on the lower level. Meridian Capital Group brokered for the boxing studio and the landlord, AD Real Estate. The asking rent was $250 per square foot.

### COMMERCIAL

■ Gunderson Dettmer Stough Villeneuve Franklin & Hachigian agreed to take 44,718 square feet at **220 W. 42nd St.** in Midtown West. The Silicon Valley–based international law firm plans to occupy the 20th through the 22nd floors. The asking rent for the 15-year lease was $88 per square foot. JLL brokered for the landlord, Global Holdings Management Group, alongside an in-house team. Savills Studley represented the tenant.

■ *Fortune* signed a 10-year lease for 43,352 square feet at **40 Fulton St.** in the Financial District. The publication plans to move from 225 Liberty St. CBRE handled the transaction for the landlord, Vornado Realty Trust, alongside an in-house team. It was unclear if the tenant had a broker.

■ Maesa Group took 34,119 square feet at **225 Liberty St.** The cosmetics manufacturer behind Banana Republic's fragrances will move from 40 Worth St. The asking rent for the 10-year lease was $75 per square foot. The landlord, Brookfield Property Partners, was represented in-house. CBRE handled the lease for the tenant.

■ OTC Markets Group nabbed 33,000 square feet at **300 Vesey St.** in Battery Park City. The marketplace for trading unlisted companies moved from 304 Hudson St. The asking rent for the 10-year sublease was $56 per share. Savills Studley represented the subtenant. Sage Realty and JLL represented the sublandlord, Virtu Financial.

■ Shinhan Bank America signed on to take 32,250 square feet at **475 Park Ave. South** in Midtown. South Korea's second-largest bank plans to relocate from 330 Fifth Ave. in the third quarter of the year. The asking rent was $70 per square foot. Norman Bobrow and First New York Realty Brokers represented the tenant. The landlord, Cohen Brothers Realty, was represented by an in-house team and by a team from Colliers International.

■ Isaac Morris Ltd. nabbed 23,050 square feet at **48 W. 37th St.** The licensed apparel manufacturer for brands including Disney, Lego and Marvel plans to move from 20 W. 33rd St. Adams & Co. represented the landlord, Forty Eight Thirty Seven Associates. Intrepid Real Estate Group brokered for the tenant. The asking rent for the 11-year lease was $45 per square foot.

■ Icapital Network inked a nine-year lease for 17,613 square feet at **1 Grand Central Place** in Midtown East. Newmark Knight Frank represented the landlord. CBRE brokered for the tenant, a fintech platform. The asking rent was $68 per square foot.

■ Starwood Capital signed a 10-year lease for 14,258 square feet at **40 10th Ave.** in the Meatpacking District. The investment firm plans to move from 1140 Sixth Ave. JLL represented the landlords, Aurora Capital Associates and William Gottlieb Real Estate, as well as the tenant. The asking rent was $185 per square foot. *— Yoona Ha*

## DEALS ROUNDUP

| TARGET/ SELLERS | TRANSACTION SIZE [IN MILLIONS] | BUYERS/ INVESTORS | TRANSACTION TYPE |
|---|---|---|---|
| eFront S.A., Bridgepoint Advisers Ltd. | $1,300.0 | BlackRock Inc. (Manhattan) | SB M&A |
| Portfolio of seven cold storage properties, iStar Inc. (Manhattan) | $442.5 | Not disclosed | SB M&A |
| 521 Fifth Ave. (Manhattan) Plaza Global Real Estate Partners; SL Green Realty Corp. (Manhattan) | $381.0 | Savanna Partners (Manhattan) | SB M&A |
| HS Orka hf., Innergex Renewable Energy Inc. | $304.8 | Macquarie Infrastructure and Real Assets (Manhattan) (53.9%) | SB M&A |
| Identified portfolio of arbitration awards and claims of Hindustan Construction Co. Ltd., Hindustan Construction Co. Ltd. | $253.6 | BlackRock Inc. (Manhattan) | SB M&A |
| MM CAN USA Inc. | $250.0 | Gotham Green Partners LLC (Manhattan) | GCI |
| Noble Midstream Partners LP | $200.0 | Global Infrastructure Partners (Manhattan) | GCI |
| Casper Sleep Inc. (Manhattan) | $100.0 | Individual investors; Institutional Venture Partners; New Enterprise Associates; Norwest Venture Partners; Target Corp. | GCI |
| Leasehold interests in Operating Solar Photovoltaic electric-generating projects, SunPower AssetCo LLC | $86.9 | Goldman Sachs Renewable Power LLC (Manhattan) | SB M&A |
| 1stdibs.com Inc. (Manhattan) | $76.0 | Allen & Co. Inc. investment arm (Manhattan); Artemis SA; Foxhaven Asset Management LP; Individual investors; Sofina Société Anonyme; T. Rowe Price Associates Inc. | GCI |
| Vlocity Inc. | $60.0 | Accenture plc; Bessemer Venture Partners; New York Life Insurance Co. (Manhattan); Salesforce Ventures; Sutter Hill Ventures | GCI |

Selected deals announced for the week ending March 28 involving companies in metro New York. "SB M&A": Strategic buyer M&A represents a minority or majority acquisition of existing shares of a company without the participation of a financial buyer. "GCI": Growth capital investment represents new money invested in a company for a minority stake. SOURCE: CAPITALIQ

## *GET YOUR NEWS ON THE RECORD

To submit company openings or real estate deals, or to receive further information, email FTR@CrainsNewYork.com.

For the Record is a listing to help businesspeople in New York find opportunities, potential new clients and updates on customers. Bankruptcy filings from the eastern and southern districts of New York are listed alphabetically. Stock transactions are insider transactions at New York companies obtained from Thomson Reuters and listed by size. Real estate listings are in order of square footage.

# PEOPLE ON THE MOVE

*Advertising Section*

To place your listing, visit crainsnewyork.com/people-on-the-move
or for more information
contact Debora Stein at dstein@crainsnewyork.com

**ARCHITECTURE**

**Cooper Carry**

Design firm Cooper Carry has promoted ***Alexandra "Alex" Lopatynsky*** to Principal of the New York Office. She joined the firm in July 2018 as an Associate Principal and Managing Director. As Principal, she will continue to lead Cooper Carry's growth in the Northeast, manage its New York presence, and direct the design of projects that span numerous building types and design disciplines.

COOPER CARRY

**FINANCIAL SERVICES**

**Valuation Research Corporation (VRC)**

***Sanjay Chandran, CFA*** rejoined VRC's New York office as Vice President. He had been a member of the professional staff since 2008 and recently returned to VRC after earning a Master of Arts in Economics at New York University. A Chartered Financial Analyst (CFA), Chandran also holds a Bachelor of Science in engineering management and operations research from Columbia University.

VRC

**INFORMATION TECHNOLOGY**

**Computer Design & Integration LLC**

***Vincent Collado*** has been promoted to Executive Vice President, Digital Transformation Strategy, CDI. In this role, Vincent will be responsible for increasing revenue growth for CDI's ServiceNow and Hybrid Cloud Automation Framework (HCAF) business, expanding its digital transformation product portfolio, driving demand for new service-led product offerings, and growing CDI's sales presence and focus into new geographical markets.

CDI

**TECHNOLOGY**

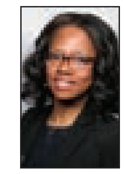
**Pryon Inc.**

***Greg Pelton*** is Chief Product Officer (CPO) of Pryon. His world-class executive experience at Cisco, Polycom, and Avaya provides Pryon the leadership required to deliver its Augmented Intelligence platform to market, enabling enterprises to easily and quickly leverage the power of AI to boost competitiveness and performance. Greg will lead Pryon's engineering team and product development efforts, applying Pryon's technological advantages to transform enterprise collaboration and productivity.

PRYON

**TECHNOLOGY**

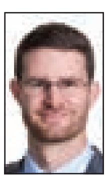
**IBM**



***Susanne Tedrick*** has joined IBM's Cloud Platform technical solutions team as a Client Technical Specialist. In her role, Susanne will collaborate with media, telecommunications and utility companies in solving complex technical issues surrounding cloud-native application development and application modernization - ultimately to help them become more innovative, productive and cost-efficient.

**ENGINEERING**

**McLaren Engineering Group**



McLaren Engineering Group has announced that ***Jeremy Billig, P.E.,*** has been named president. Billig, most recently the firm's vice president and New York City regional director, will lead McLaren along with Malcolm McLaren, P.E., CEO and founder. During his 15-year tenure at McLaren, Billig has directed a range of engineering projects while starting and growing the New York City office to over 40 staff.

**FINANCIAL SERVICES**

**Mariner Investment Group**

***Curtis Arledge*** has joined Mariner Investment Group, LLC, the global alternative investment manager and subsidiary of ORIX Corporation USA (ORIX USA), as Chairman and Chief Executive Officer. In addition to his role at Mariner, Arledge will serve as head of ORIX USA asset management, responsible for driving the company's overall strategy in the space, including facilitating opportunities for growth across ORIX USA's enterprise.

**INSURANCE**

**HUB International Northeast**

***James Hutchinson*** will be responsible for the management of internal efforts within HUB International Northeast's commercial lines division, including the oversight of marketing efforts and working closely with client service departments to maximize their support, with a focus on operating efficiently and effectively to best serve our clients and insurance company partners. James previously held a variety of marketing roles at HUB Northeast from 1996 - 2014, including Chief Marketing Officer & SVP.



# MUTUAL

FROM PAGE 1

Historically robust profit margins in the investment-management world eroded last year to levels unseen since the dark days of 2008, according to consulting firm Casey Quirk. (Although at 29%, they remain the envy of just about every other sector.)

"WE NEED TO ADAPT QUICKLY **AS THE WORLD CHANGES** AROUND US"

"A secular change is occurring," Amanda Walters, senior manager at Casey Quirk, observed in a recent report. "Fee pressure intensifies, and costs continue to rise."

The pressure also explains why rivals JPMorgan Asset Management and State Street are cutting staff and, as Bloomberg News reported last week, UBS is weighing whether to sell all or part of its asset-management business.

Bank of New York Mellon, which manages money and acts as a vault for other money managers, also is cutting costs. "While we're looking to automate many of the manual tasks we perform, we also see broader opportunities to continue to drive efficiency," CEO Charles Scharf said in January.

Even the fund industry's biggest kahuna—BlackRock, with $6 trillion in assets under management—is feeling the effects. The firm's stock trades 20% below its peak, and $300 billion in assets disappeared late last year, when the markets turned stormy.

This year the firm said it would let 500 employees go, and last week top management got shaken up for the second time in a matter of months. Regional chiefs were granted more authority, and the firm named a new chief of BlackRock Alternative Investors, a division that focuses on private equity, venture capital, hedge funds and real estate investing.

"We need to be able to adapt quickly as the world changes around us," CEO Larry Fink and President Rob Kapito wrote in an internal memo, saying that the moves "simplify our organization so that we can be more efficient and effective."

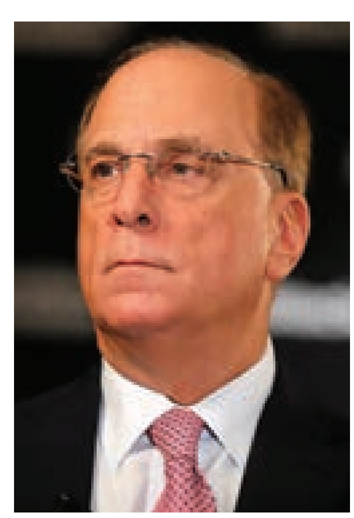
BlackRock and others see "alternatives" as the ticket out of their woes because the fees associated with such investments haven't been squeezed yet. What's more, although investors have given up on fund managers outperforming the universe of publicly traded stocks, they are convinced there's big money to be made by investing in private companies.

**BOOK ON BLACKROCK**

**$6T**
**ASSETS** under management

**14,900**
**HEADCOUNT** worldwide

**-21%**
**STOCK** performance off 52-week high



BLOOMBERG NEWS

**FINK SEES** "alternatives" as key differentiators.

Leveraged buyout funds raised $432 billion last year, according to research firm Preqin, the most ever except for 2017's haul. Since 2012, investors have poured nearly $3 trillion into private equity worldwide.

All the action explains why BlackRock officials called the trends "the biggest opportunity in a decade" to differentiate the firm.

Blackstone Group, a private-equity giant, is raising money for its latest buyout fund, which currently stands at $22 billion and could become the largest such fund ever compiled.

The current record holder is Apollo Global's $24.6 billion haul in 2007—just in time for the financial crisis. It's possible the likes of BlackRock are jumping into the private-equity pool rather late in the game, although Blackstone did make huge sums by acquiring companies at bargain prices shortly after the Great Recession.

Mike McLaughlin, a partner at consulting firm Naissance, said he didn't think BlackRock is too late. "They could make investments more accessible to huge swaths of investors," he said.

And given the relentless pressure faced by the firm in its core business, it needs to look for fresh fields.

"Even for someone as huge as BlackRock," McLaughlin said, "it's going to get tougher." ■

## POSITION AVAILABLE

Sr. Java Developer needed by Verizon in Spring Valley, NY. Design, develop micro-services using Spring Boot and deploy in AWS Cloud. To apply, mail resume to Mehrdad Sanai, Sr. Manager, Verizon, 239 W Rte 59, Spring Valley, NY 10977. Please refer to Job #DS1-L.

## PUBLIC & LEGAL NOTICES

Notice of Formation of HIDDEN GROVE HOUSING GP, LLC Arts. of Org. filed with Secy. of State of NY (SSNY) on 02/22/19. Office location: NY County. Princ. office of LLC: 60 Columbus Circle, NY, NY 10023. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Corporation Service Co., 80 State St., Albany, NY 12207-2543. Purpose: Any lawful activity.

Notice of Formation of Limited Liability Company (LLC). NAME: David Patterson LLC.Articles of Organization filed with the SSNY on November 5th, 2018. Office location: NY County. SSNY shall mail a copy of process to: David Patterson LLC, 393 W. 49th Street, #5D, New York, NY 10019 Purpose: Any lawful purpose.

Notice of Formation of UES SERVICES, LLC Arts. of Org. filed with Secy. of State of NY (SSNY) on 02/25/19. Office location: NY County. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to c/o Corporation Service Co., 80 State St., Albany, NY 12207, regd. agent upon whom and at which process may be served. Purpose: Any lawful activity.

NOTICE OF FORMATION of COLLECTIVE EFFORT LLC. Arts. Of Org. filed with Secy of State of NY (SSNY) on 1/18/19. Office location: NY County. SSNY designated agent upon whom process may be served and shall mail copy of process against LLC to 515 E 72nd St. Ste 6J NY, NY 10021. Purpose: any lawful act.

Notice of formation of ATHLEISURIE LLC field with NY Secretary of State on 2/12/2019. Office location: New York County. SSNY has been designated as agent of the LLC upon whom process against it may be served. SSNY shall mail a copy of process to the LLC. 275 w 10 St. 6c, NY, NY 10014 Process: Any lawful activity.

Aeonic Partners, LLC. Art. of Org. filed with the SSNY on 02/13/19. Office: New York County. SSNY designated as agent of the LLC upon whom process against it may be served. SSNY shall mail copy of process to the LLC, 150 E. 58th St., 34th Floor, New York, NY 10155. Purpose: Any lawful purpose.

Notice of Formation of JULIA SANCHEZ LLC Arts. of Org. filed with Secy. of State of NY (SSNY) on 03/15/19. Office location: NY County. Princ. office of LLC: 333 W. 56th St., NY, NY 10019. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to the LLC at the addr. of its princ. office. Purpose: The purpose of the company shall be to take any and all actions and enter into any and all agreements, and transact any and all lawful business for which a limited liability company may be organized under the laws of the State of NY.

Notice of Formation of MALT MONKEY, LLC Arts. of Org. filed with Secy. of State of NY (SSNY) on 03/11/19. Office location: NY County. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Corporation Service Co., 80 State St., Albany, NY 12207-2543. Purpose: Any lawful activity.

Notice of formation of a domestic Limited Liability Company ("LLC"). BRITTONY PRODUCTIONS LLC, with its principal business location at 27 West 90th St., Apt 3, New York, New York County, New York, filed Articles of Organization with the Secretary of State of New York on March 4, 2019. The Secretary of State of New York has been designated as agent of the LLC upon whom process against it may be served. The LLC address to which the Secretary of State of New York shall mail process is 27 West 90th St., Apt 3, New York, NY, 10024. The purpose of the LLC is to engage in any lawful activity for which LLCs may be formed.

Notice of Formation of MATTHEW ROFOFSKY, LCSW PSYCHOTHERAPY CONSULTING SERVICES, PLLC Arts. of Org. filed with Secy. of State of NY (SSNY) on 02/20/19. Office location: NY County. SSNY designated as agent of PLLC upon whom process against it may be served. SSNY shall mail process to the LLC, 39 W. 32nd St., Ste. 1500, NY, NY 10001. Purpose: Licensed clinical social work.

Notice of Qualification of BATON HOLDING, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 12/28/18. Office location: NY County. LLC formed in Delaware (DE) on 04/13/11. Princ. office of LLC: 1423 Red Ventures Dr., Fort Mill, SC 29707. NYS fictitious name: BATON TECH SERVICES, LLC. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to c/o Corporation Service Co. (CSC), 80 State St., Albany, NY 12207-2543. DE addr. of LLC: c/o CSC, 251 Little Falls Dr., Wilmington, DE 19808. Cert. of Form. filed with DE Secy. of State, Div. of Corps., John G. Townsend Bldg., 401 Federal St., Dover, DE 19901. Purpose: Any lawful activity.

Notice of Qualification of SP MERGER SUB, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 03/13/19. Office location: NY County. LLC formed in Delaware (DE) on 02/28/19. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to the LLC, 80 State St., Albany, NY 12207. The regd. agent of the company upon whom and at which process against the company can be served is Corporation Service Co., 80 State St., Albany, NY 12207. DE addr. of LLC: 251 Little Falls Dr., Wilmington, DE 19801. Cert. of Form. filed with Jeffrey W. Bullock, DE Secy. of State, Townsend Bldg., 401 Federal St., Dover, DE 19901. Purpose: Any lawful activity.

Notice of formation of Crux Creative, LLC. Arts. of Org. filed with Secy of State of NY (SSNY) on 2/11/19. Office location: NY County. SSNY designated agent upon whom process may be served and shall mail copy of process against LLC to 80 John St, Apt 6D, NY, NY 10038. Purpose: any lawful act.

Notice of Qualification of WT LOANCO, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 03/27/19. Office location: NY County. LLC formed in Delaware (DE) on 12/05/18. Princ. office of LLC: c/o Cape Advisors, Inc., 483 Broadway, Fifth Fl., NY, NY 10013. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Attn: Craig Wood, Pres. at the princ. office of the LLC. DE addr. of LLC: c/o Corporation Service Co., 251 Little Falls Dr., Wilmington, DE 19808. Cert. of Form. filed with Secy. of State, Div. of Corps., John G. Townsend Bldg., 401 Federal St., Ste. 4, Dover, DE 19901. Purpose: Any lawful activity.

NOTICE OF FORMATION BroadWest Capital Management, LLC.Application for Authority filed with the Secretary of State of New York (SSNY) on January 30, 2019. Office location: NEW YORK County. LLC formed in DE on October 4, 2018. SSNY has been designated as an agent upon whom process against it may be served. The Post Office address to which the SSNY shall mail a copy of any process against the LLC served upon him/her is: 85 Broad St. 17th Floor New York, NY 10014 The principal business address of the LLC is: 85 Broad St. 17th Floor New York, NY 10014 DE address of LLC is: EasyCorps, LLC 341 Raven Circle Wyoming, DE 19934 Certificate of LLC filed with Secretary of State of DE located at: 401 Federal Street Dover DE 19901 Purpose: any lawful act or activity

KASTEEL ASSET MANAGEMENT, LLC filed Arts. of Org. with the Sect'y of State of NY (SSNY) on 2/1/19. Office: NY County. SSNY has been designated as agent of the LLC upon whom process against it may be served and shall mail process to: The LLC, 155 E. 34th St., Apt. 11H, NY, NY 10016. Purpose: any lawful act.

Notice of Qualification of OBJECTIVIZATION, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 03/28/19. Office location: NY County. LLC formed in Delaware (DE) on 02/07/19. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Gregory Francis Hold, 10 W. 46th St., Ste. 1407, NY, NY 10036. DE addr. of LLC: 251 Little Falls Dr., Wilmington, DE 19808. Cert. of Form. filed with DE Secy. of State, DE Div. of Corps., 401 Federal St., Ste. 4, Dover, DE 19901. Purpose: Any lawful activity.

Notice of Qualification of DF FUND 2, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 03/04/19. Office location: NY County. LLC formed in Delaware (DE) on 10/09/17. Princ. office of LLC: c/o Greystone & Co., Inc, 152 W. 57th St., 26th Fl., NY, NY 10019. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to the LLC at the addr. of its princ. office. DE addr. of LLC: Corporation Service Co., 251 Little Falls Dr., Wilmington, DE 19808. Cert. of Form. filed with Secy. of State, State of DE, Dept. of State, Townsend Bldg., Dover, DE 19901. Purpose: Any lawful activity.

Global Signature LLC Arts. of Org. filed w/ SSNY on 3/8/19 Off. in NY Co. SSNY desig. as agt. of LLC whom process may be served. SSNY shall mail process to the LLC, 244 Madison Ave., Ste. 523, NY, NY 10016. The reg. agt. is Accumera LLC, 911 Central Ave, #101, Albany, NY 12206. Purpose: any lawful activity.

Notice of Qualification of OUTERBRIDGE CAPITAL MANAGEMENT, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 02/13/19. Office location: NY County. LLC formed in Delaware (DE) on 12/03/18. Princ. office of LLC: 125 Maiden Ln., Ste. 506, NY, NY 10038. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to c/o Outerbridge GP, LLC, Attn: Rory Wallace at the princ. office of the LLC. DE addr. of LLC: c/o The Corporation Trust Co., 1209 Orange St., Corp. Trust Center, Wilmington, DE 19801. Cert. of Form. filed with Secy. of State of the State of DE, Div. of Corps., John G. Townsend Bldg., Federal & Duke of York Sts., Dover, DE 19901. Purpose: Any lawful activity.

Notice of formation of NYC PDL LLC Arts. of Org. filed with the Secy. of State of New York (SS NY) on 2/15/2019. N.Y location: NY County. SSNY has been designated as an agent upon whom process against it may be served. The Post Office address to which the SSNY shall mail a copy of any process against the LLC to 350 5th Ave., Suite 5911 New York, NY. Purpose: Any lawful activity .

Notice of Formation of CP 94TH STREET ASSOCIATES, LLC Arts. of Org. filed with Secy. of State of NY (SSNY) on 03/04/19. Office location: NY County. Princ. office of LLC: 60 Columbus Circle, NY, NY 10023. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Corporation Service Co., 80 State St., Albany, NY 12207-2543. Purpose: Any lawful activity.

Notice of Formation of STRATFORD DATA AND DESIGN, LLC Arts. of Org. filed with Secy. of State of NY (SSNY) on 02/14/18. Office location: NY County. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Louis Market, 57 W. 93rd St. - 1A, NY, NY 10025. Purpose: Any lawful activity.

## PUBLIC & LEGAL NOTICES

Notice of Qualification of CAPE WT HOLDCO, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 03/27/19. Office location: NY County. LLC formed in Delaware (DE) on 12/03/18. Princ. office of LLC: c/o Cape Advisors, Inc., 483 Broadway, Fifth Fl., NY, NY 10013. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Attn: Craig Wood, Pres. at the princ. office of the LLC. DE addr. of LLC: c/o Corporation Service Co., 251 Little Falls Dr., Wilmington, DE 19808. Cert. of Form. filed with Secy. of State, Div. of Corps., John G. Townsend Bldg., 401 Federal St., Ste. 4, Dover, DE 19901. Purpose: Any lawful activity.

Notice of Qualification of Spring Delta Asset Management, LLC. Authority filed with Secy. of State of NY (SSNY) on 8/28/18. Office loc: NY County. LLC formed in DE on 7/5/18. SSNY designated agent upon whom process may be mailed to: 125 Park Ave. 25th floor, NY, NY 10017. Cert. of LLC filed with Secy. Of State of DE loc: 300 Delaware Ave, #210 A, Wilmington, DE, 19801. Purpose: Any lawful activity.

Notice of Qualification of RGN-LAKE SUCCESS I, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 02/19/19. Office location: NY County. LLC formed in Delaware (DE) on 02/07/19. Princ. office of LLC: 15305 Dallas Pkwy., Ste. 400, Addison, TX 75001. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to c/o Corporation Service Co., 80 State St., Albany, NY 12207-2543. DE addr. of LLC: 251 Little Falls Dr., Wilmington, DE 19808. Cert. of Form. filed with Secy. of State, 401 Federal St., Ste. 4, Dover, DE 19901. Purpose: Any lawful activity.

Notice of Formation of HIDDEN GROVE HOUSING, L.P. Cert. of LP filed with Secy. of State of NY (SSNY) on 02/22/19. Office location: NY County. Princ. office of LP: 60 Columbus Circle, NY, NY 10023. Latest date on which the LP may dissolve is 12/31/2118. SSNY designated as agent of LP upon whom process against it may be served. SSNY shall mail process to Corporation Service Co., 80 State St., Albany, NY 12207-2543. Name and addr. of each general partner are available from SSNY. Purpose: Any lawful activity.

Application for Authority of MS Franchise, LLC filed with the Secy. of State of NY (SSNY) on 1/22/19. Formed in DE 1/16/19. Office loc.: NY County. SSNY is designated as agent of LLC on whom process against it may be served. The address SSNY shall mail copy of process to 484 Broome St., New York, NY 10013. The office address in DE is Registered Office Service Company, 203 NE Front St., (101), Milford, DE 19963. Cert. of formation filed with Jeffrey W. Bullock, DE Secy. of State, Div. of Corporations, PO Box 898, Dover, DE, 19903. Purpose: Any lawful activity.

Notice of formation of Lord Knows Art LLC. Articles of organization filed with Secretary of State of NY(SSNY) on 10/03/2018. Office location: NEW YORK County. SSNY has been designated as agent upon whom process against it may be served. The Post Office address to which the SSNY shall mail a copy of any process against the LLC served upon him/her is 7014 13th Avenue, Suite 302 Bk, NY 11228. The principal business address of the LLC is: 414 W. 44th Street # Suite B NY, NY 10036 Purpose: any lawful act or activity

The Articles of Organization of PSYCHOBABEL PRODUCTIONS LLC were filed with the Secretary of State of New York on July 2, 2018. The registered office address in New York is 35 Fort Washington Avenue, Apt. 5C, New York, NY, 10032. The jurisdiction office location is New York County. The principal place of business address is 35 Fort Washington Avenue, Apt. 5C, New York, NY, 10032. The Secretary of the State of New York is designated as agent upon who process against PSYCHOBABEL PRODUCTIONS LLC may be served. The Secretary of the State of New York shall mail process to: Chandler Clemens, 35 Fort Washington Avenue, Apt. 5C, New York, NY, 10032. Purpose: Any Lawful Purpose.

Notice of Formation of JEBEZ APPAREL LLC Arts. of Org. filed with Secy. of State of NY (SSNY) on 03/14/19. Office location: NY County. Princ. office of LLC: c/o FIT 4U, 1410 Broadway, Ste. 2903, NY, NY 10018. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Brent Beesley at the princ. office of the LLC. Purpose: Any lawful activity.

Notice of Qualification of ALTENEX, LLC Appl. for Auth. filed with Secy. of State of NY (SSNY) on 02/14/19. Office location: NY County. LLC formed in Delaware (DE) on 12/31/15. Princ. office of LLC: 53 State St., Ste. 3802, Exchange Place, Boston, MA 02109. SSNY designated as agent of LLC upon whom process against it may be served. SSNY shall mail process to Corporation Service Co., 80 State St., Albany, NY 12207-2543. DE addr. of LLC: 251 Little Falls Dr., Wilmington, DE 19808. Cert. of Form. filed with Secy. of State, 401 Federal St., Dover, DE 19901. Purpose: Any lawful activity

NOTICE OF QUAL. of WB SJC Residential Investor, LLC. Auth. filed Sec'y of State (SSNY) 2/7/19. Off. Loc: NY Co. LLC org. in DE 2/5/19. SSNY desig. as agent of LLC upon whom proc. against it may be served. SSNY shall mail copy of proc. to NRAI, 28 Liberty St., New York, NY 10005, the Reg. Agt upon whom proc. may be served. DE off. Addr.: 160 Greentree Dr., Ste 101, Dover, DE 19904. Cert of Form. on file: SSDE, Townsend Bldg., Dover, DE 19901. Purpose: any lawful activity.

# RENT REGS

FROM PAGE 1

rented the Upper West Side pad to massage therapist Jonathan Saballos for $3,300 a month.

It seemed like a routine example of the steady exodus of such units from the city's pool of about 900,000 rent-regulated apartments. Except that in January, after Saballos lost his roommate and then his job and was taken to housing court by Stellar for failing to pay rent, a judge ruled that apartment 1E shouldn't have been deregulated at all.

In the written ruling, Judge Sabrina Kraus of Manhattan Civil Court determined that Stellar had inflated its renovation costs of more than $71,600 by almost $45,000—including $3,500 for a bathtub that was never installed—and had overcharged Saballos at least $41,193. The judge ordered the owner of the 20-unit building to pay triple damages—$123,578—and place the apartment back into regulation with a monthly rent of $1,524.

Housing advocates say such episodes are common in a system where loopholes and lax oversight practically invite owners to pull units out of regulation. A review of several lawsuits against Stellar reveals how expensive or dubious renovations enabled the owner to convert rents to market-rate.

"The city or the state doesn't even know how many illegally deregulated apartments are out there, because they're only really examined when cases like this come up in court," said Mark Hess, an attorney who represented Saballos in the eviction proceeding. "Stellar thought it was going to be business as usual and they were going to throw my client out of his apartment. Instead we called them out."

Stellar is appealing and will not comment on ongoing litigation, said a spokeswoman for the company, which owns roughly 100 buildings, most of which are in the city.

Allegations of abuses by landlords are not new. In one high-profile case last year, the Associated Press reported, the family business of White House adviser Jared Kushner failed to disclose rent-regulated units in buildings it owned, then began disruptive renovations that some of those tenants saw as an effort to push them out. Kushner Cos. blamed a third-party document preparer for the erroneous filing and said its renovations were proper, but the episode led to a fine, a lawsuit by tenants and City Council legislation to deter harassment by construction.


**FERRARA** and his law partner are representing tenants in three class-action suits.

"YOU HAVE TO **BE NUTS** NOT TO BREAK THE LAW, BECAUSE THE CHANCES OF **GETTING CAUGHT** ARE **SO SLIM**"

Less focus, however, has been given to the method used in Saballos' case, which may have allowed landlords to improperly deregulate tens of thousands of city apartments—and even more of them legally.

## Big fix

After neglect brought affordable-housing stock in some neighborhoods to the point of dilapidation, laws were passed in the 1970s permitting owners to raise regulated rents if they spent money on upgrades. A vacant, rent-stabilized apartment's monthly rent can be lifted by one-sixtieth of the cost of renovating the unit, or one-fortieth in buildings with 35 or fewer units. Such upgrades are called individual apartment improvements, or IAIs.

According to the state's Division of Homes and Community Renewal (HCR), the agency responsible for monitoring rent-regulated apartments, some 167,000 units have been pulled out of regulation in the past 26 years using IAIs, often in combination with buildingwide major capital improvements and other programs that allow for rent increases. That's roughly 50,000 units more than Mayor Bill de Blasio's signature affordable-housing initiative aims to create over 12 years. But many housing advocates and lawyers suspect the volume of apartments deregulated via IAIs is far greater than state records show.

"Many people believe HCR's numbers are low," said Ronald Languedoc, a tenant attorney at Himmelstein, McConnell, Gribben, Donoghue & Joseph. "They're based on the number of exit registrations, but not all landlords file those registrations, because the law doesn't penalize them if they don't. In my practice, I would have to say that only about half the apartments taken out of regulation have histories that show they exited."

IAIs have been a potent tool for landlords because they allow as much spending as is necessary to boost an apartment's rent past a threshold known as high-rent deregulation, which permits a unit to become market-rate. That tipping point was $2,000 before 2011, when state lawmakers raised it to $2,500 and then $2,700. Built-in annual escalations have since lifted it to $2,775.

But housing experts say deep flaws in the IAI program allow it to be not only the most common way to bring a unit out of regulation but also the most prone to manipulation. One big reason is that a landlord need not prove up front that the work it claims to have done was actually completed. Instead, the state relies on tenants to sniff out impropriety and initiate a challenge. That rarely happens, because a renter who leases a newly market-rate unit may not be aware it was previously rent-stabilized let alone whether any supposed upgrades match up with what the owner reported to the state.

"A landlord can replace kitchen cabinets, a stove and fridge for a few thousand dollars or $20,000 and who's to know?" said James Fishman, a tenant attorney. "Landlords have long known they can do whatever they want, and even if they get caught one out of 50 times, it's still worth it. You have to be nuts not to be breaking the law, because the chances of getting caught are so slim."

A tenant who suspects fraud faces a tedious, unfamiliar and potentially costly process to expose it. The first step is inquiring whether an apartment has a regulated rental history with HCR and whether rent increases might be justified by renovations—a difficult evaluation for any tenant. Pressing a case can involve legal fees of thousands of dollars and may sully a renter's relationship with the landlord, who might choose not to renew their lease. Tenants also fear ending up on a blacklist of problematic renters.

"Putting the burden on the tenant isn't a fair or effective way of having a watchdog for the system," said Oksana Miranova, a housing policy analyst with the Community Service Society of New York. "I do this work every single day, and there are times where this system doesn't make any sense even to me."

Privacy rules further hinder policing of the system. Per state law, HCR can release an apartment's rental history only to its current occupant. The lack of a public database of regulated units and their rents means there is usually no way to know when, where or how an apartment was pulled from regulation. Tenant advocates say the lack of transparency prevents them from proactively ferreting out abuses and helping more renters.

Landlords say that's how it should be.

"This is proprietary information, and owners don't necessarily want the whole world knowing their business—and that's understandable," said Mitch Posilkin, an attorney with the Rent Stabilization Association, a trade group that represents landlords, including many who own regulated units. "We don't believe the system is fundamentally flawed. We lived through a time that predates many people's memory, in the 1970s and '80s, when there was widespread abandonment of housing. You need to encourage owners to invest."

Posilkin said scaling back or doing away with IAIs would sour landlords on investing in rent-regulated buildings. The result, he said, would be that thousands of properties could slip into the kind of disrepair common in the city's public housing system, which is tens of billions of dollars behind on maintenance and capital investment.

## Doorknobs and countertops

The opacity of individual apartment improvements, however, makes them ripe for exploitation. Tenants, advocates and attorneys say it can take a court battle to unearth the details of a purported improvement. In the case of Stellar, which owns 12,000 units, some of that information has come to light during recent litigation and appears to demonstrate how ordinary upgrades can boost rents by extraordinary amounts.

At 1795 Riverside Drive, a 70-unit building in Upper Manhattan, Stellar reported reno-

### Cost of living

**$2,775**

**Rent threshold** at which units are removed from regulation

**167,000**

**Number of units** estimated to have been deregulated since 1993 due to rent increases prompted by IAIs

BUCK ENNIS

vating apartments 1A in 2012 and 5H in 2013, raising their rents to $2,700 a month each, according to listings. Mayra Mahmood, who lived in 1A, and P.G. Lyne of 5H sued Stellar in 2017 as part of an ongoing class-action suit by 59 renters in 18 Stellar-owned buildings.

According to invoices provided by Stellar during the discovery process of the suit, in apartment 1A the landlord paid $2,200 to install a kitchen sink, $4,500 for a granite countertop, $1,500 for a toilet and $500 for doorknobs. In 5H the kitchen sink cost $2,500; the granite countertop, $7,500; the toilet, $4,000; and the doorknobs, $1,350.

In total, the invoices show Stellar spent $52,000 upgrading apartment 1A and $98,500 on 5H, vastly more than its own architects estimated the renovations would cost, according to filings with the city's Department of Buildings. WAW Architects pegged the work in 1A at about $35,000, and Atelier New York Architecture estimated that upgrading 5H together with similar work in another apartment in the building would cost $78,870.

Saballos' unit on West 81st Street, where Stellar reported installing a bathtub for $3,500, only had a shower, said his attorney, who visited the apartment. Stellar's architect for that job estimated in a DoB filing that the work would cost $26,000, a bit more than a third of what Stellar said it ultimately spent.

Some tenant advocates say IAI regulations are counterproductive to the goal of preserving affordable housing because they allow even legitimate renovations to raise rents far more than necessary to ensure units are adequately maintained.

"I always had to meet a target renovation budget, and so, yeah, I would get the better stove and things like that to add to the cost of the work," a landlord who used to own a portfolio of rent-regulated apartment buildings in the city told *Crain's*. "Our business plan was, spend enough to achieve fair-market rents. But we were following the rules, and the tenants got a better unit."

### Inside jobs

Another point of contention is that in several Stellar apartments where IAIs have been challenged, the contractors who did the work appear to be owned the company.

CMS Renovation, listed in records as based in Fresh Meadows, Queens, was used to renovate apartment 5H at 1795 Riverside Drive and 1E at 171 W. 81st St. In the lawsuit involving the latter unit, the judge noted in her ruling that a Stellar employee acknowledged the contractor was owned and controlled by Stellar.

"These landlords are inflating costs and creating sham contracting companies so they can do it," said Hess, who is a supervising attorney for tenants' rights at the New York Legal Assistance Group. "When the contractor and the landlord [are] essentially one entity, they're not driving down costs. The incentive is to inflate the costs."

Apartment 1A at 1795 Riverside Drive was renovated by Wurtsboro Construction Corp. of Wurtsboro, New York, about 70 miles north of the city. The firm has done several jobs for Stellar, according to filings with the Department of Buildings. A search of agency records for Wurtsboro found only work it did for Stellar. Wurtsboro Construction's director is Selim Srdanovic, according to his LinkedIn page. He shares a surname with Smajlje Srdanovic, a director of facilities management at Stellar. A call to Smajlje was referred to Amanda Gluck, the daughter of Stellar co-founder Larry Gluck, but she did not return calls or emails.

Another contractor used by the company for several renovations, MJA Services, has the same Manhattan address as Stellar's corporate offices: 156 Williams St. And, according to Department of Buildings filings, it is controlled by Stacey Ruggeri, a vice president of construction and development at Stellar. City records show Smajlje Srdanovic also has applied for permits on behalf of MJA. Stellar declined to comment.

Other landlords accused in separate litigations of exploiting IAIs also appear to use in-house contractors. Large residential landlord A&E Real Estate, for instance, seems to exclusively use JW Development Group Holdings for renovation work, according to a *Crain's* review of Department of Buildings permit applications. City records show JW Development is controlled by Mark Ericksen, whose LinkedIn profile identifies him as a senior construction project manager at A&E Real Estate. The firm is being sued by tenants in another class-action case that accuses it of faking or inflating IAIs to push up regulated rents.

According to an HCR audit, the company inflated IAI costs in six of eight apartments reviewed. In one case, the landlord could substantiate only $24,710 of an improvement on which it had claimed to have spent $37,053. It was forced to reimburse the tenant $21,522. A spokeswoman for A&E declined to comment.

Using an in-house contractor is not illegal, but the practice affords landlords an opportunity to report higher renovation costs than were actually incurred. For example, an in-house contractor could use salaried employees on a project but claim labor costs in excess of what they were actually paid. HCR warns against this, stating on its website that if renovations are found or alleged to have been performed by an employee of the landlord or managing agent, "the owner will be required to prove that the employee was paid for the work separately from and in addition to his/her normal salary."

But it's unclear how often or thoroughly authorities check if a contractor is in-house, and perhaps harder if the company's name changes, as it did twice in the case of the apartment Saballos rented.

HCR maintains that it has stepped up enforcement. In 2012 the agency created a tenant-protection unit that has completed more than 4,000 targeted reviews, helped tenants recover $4.8 million in overcharges and led to 76,000 illegally deregulated apartments being returned to rent regulation. But those cases did not involve renovations, a spokesman for the agency said; landlords had simply deregulated the units without justification.

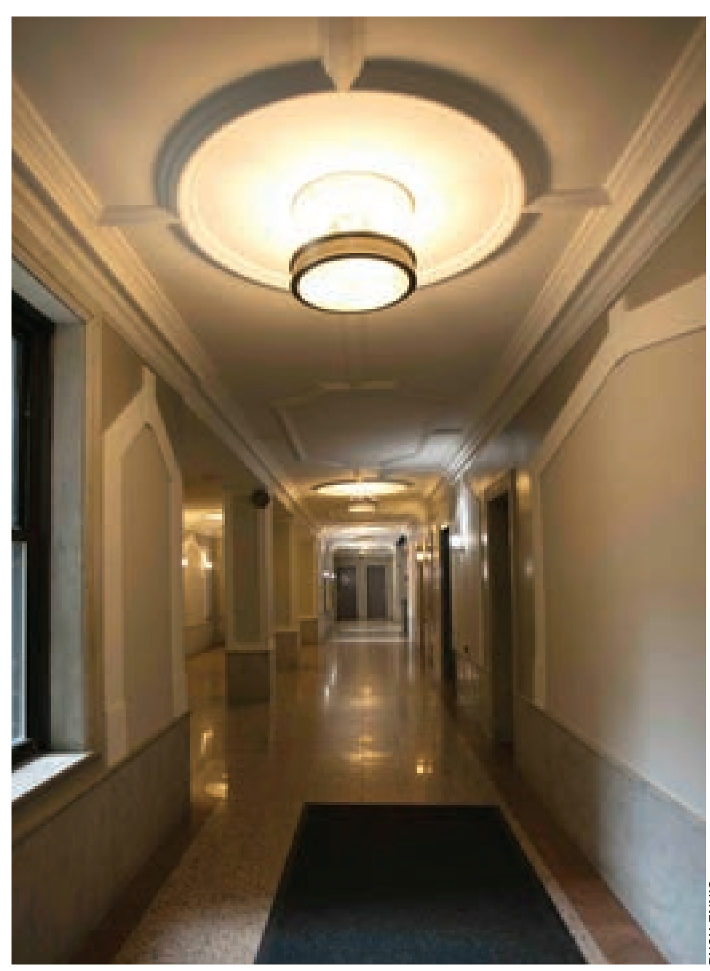
To better regulate IAIs, HCR says it has increased audits and now does an average of 600 annually. On the list of those audits were units held by A&E Real Estate, Stellar and Bronstein Properties, another large landlord that has been accused in a class-action suit of using IAIs to improperly increase regulated rents. The state agency said 74 audits found 10 instances of Bronstein inflating IAI costs that raised rents by as much as $162.28 a month more than permitted. It's unclear if those increases were sufficient to push any units out of regulation, but the class-action suit against the company claims it said it spent six figures on renovations to convert other units in its portfolio to market rents. *Crain's* wasn't able to find a single permit filed with the Department of Buildings for a renovation in the Bronstein apartments cited in that lawsuit.

"If the landlord really did $100,000 improvements on some of these apartments, there should be permits," said Lucas Ferrara, who is representing the tenants with his colleague Roger Sachar. "Does that mean the work wasn't really done? Now we're going to find out."

Ferrara and Sachar also are pressing the class-action cases against Stellar and A&E Real Estate.

HCR audits of seven Stellar units found no wrongdoing by the company, but watchdogs say the breadth of those examinations was insufficient.

"Instead of auditing a few apartments, why not audit the whole portfolio of a landlord like Stellar?" asked Aaron Carr, the founder and executive director of Housing Rights Initiative, a nonprofit. "If the government investigates a bank, do they confine it to just one cubicle? HCR treats these cases of fraud as if it's not a systemic problem. But it is." ■



BUCK ENNIS

**INSTALLING A NEW TOILET** in one apartment at 1795 Riverside Drive cost $4,000, according to the landlord. New doorknobs were $1,350.

## RENT REGS ON THE TABLE

**THE STATE LAWS GOVERNING RENT REGULATION** expire June 1, but there is a broad consensus in the Legislature to renew them. So the debate this year will be about how much to tilt them in favor of tenants. That's a change from years past, when pro-landlord Republicans controlled the state Senate and had plenty of leverage in negotiations with the pro-tenant Democrats who dominated the Assembly. The GOP lost its Senate majority in the November election. However, Assembly Speaker Carl Heastie said last month that he agrees with landlords' argument that they must have an incentive to invest in their properties.

For market-rate rentals, that is generally not a legislative issue, because owners who keep their housing in good shape can attract higher-paying tenants. Rent-regulated units, on the other hand, don't stay vacant long even when they are run-down, because demand for inexpensive apartments is strong in most New York City neighborhoods. If maintaining and upgrading buildings had no effect on regulated rents, some if not most landlords would do the bare minimum to keep them habitable. That is the prevailing narrative for what happened in the 1970s. So lawmakers routinely include provisions in the statutes that allow for rent increases when landlords make building improvements.

Tenant advocates have complained for years that landlords take advantage of those provisions for two reasons: Landlords can continue collecting the higher rent even after it has paid the full cost of the improvements. And if the regulated rent surpasses a certain amount, the apartment can be rented for whatever the market will bear. Tenant groups are certain to push the Legislature during the next two months to change both of those dynamics.

Most of the public debate about landlords' investments has been about building-wide improvements, such as a new roof or boiler. Individual apartment improvements have received less attention, but tenant advocates could try to limit landlords from using expensive, luxurious appointments such as granite countertops, Viking stoves and Hansgrohe faucets. How lawmakers could draw the line between posh and functional is unclear. And there has been no indication that they will even address landlords' use of in-house contractors. Property owners are not allowed to make rent-raising improvements by taking money out of one pocket and putting it into another, but policing that takes resources, which are not unlimited at Homes and Community Renewal, the state agency that enforces rent-regulation laws. *— Erik Engquist*

# SNAPS

Photos from the city's biggest charity galas, fundraisers and other events **BY CHERYL S. GRANT**

## Boosting knowledge

Literacy Partners held its annual Evening of Readings and dinner dance March 14 at Cipriani Wall Street. The gala raised $1 million to continue the organization's mission of providing educational services to adults and their families, which it has done for the past 45 years.

Among the 500 attendees were Emmy Award–winning journalist **Diane Sawyer**, writer **Aaron Latham** and his wife, *60 Minutes* correspondent **Lesley Stahl**, who was honored with the Lizzie Award. The award is given to those who exemplify late gossip columnist Liz Smith's passion for the written word and her commitment to improving the lives of those who cannot read or write.


BFA

Writer **Arthur Levine** presented the Champion of Literacy Award to *New York Times* bestselling author **Andrea Davis Pinkney**. In her acceptance speech, Pinkney spoke of the importance of reading during her childhood.

## Fighting for a cure

Pietro's Fight, an organization dedicated to raising awareness and funds to find a cure for Duchenne muscular dystrophy, raised $250,000 at its seventh annual fundraiser March 15. The 600 guests included **Monsignor David Cassato**, pastor of St. Athanasius Church, and Investors Bank Staten Island's **Joy Overton**, assistant branch manager, and **Brian Gomez**, vice president and senior market manager, who were entertained by the cast of *Jersey Boys*, Fatman Scoop and Chubb Rock.

SEAN ZANNI/PMC

Honoree **Sal Strazzullo**, president of the Strazzullo Law Firm, and his wife, **Allison Strazzullo**, flank the co-founders of the nonprofit, **Dayna and Manni Scarso**, during the party at El Caribe Country Club, in Mill Basin, Brooklyn. The Scarsos started the organization in 2012 after learning their son Pietro, then 3 years old, had been diagnosed with DMD.

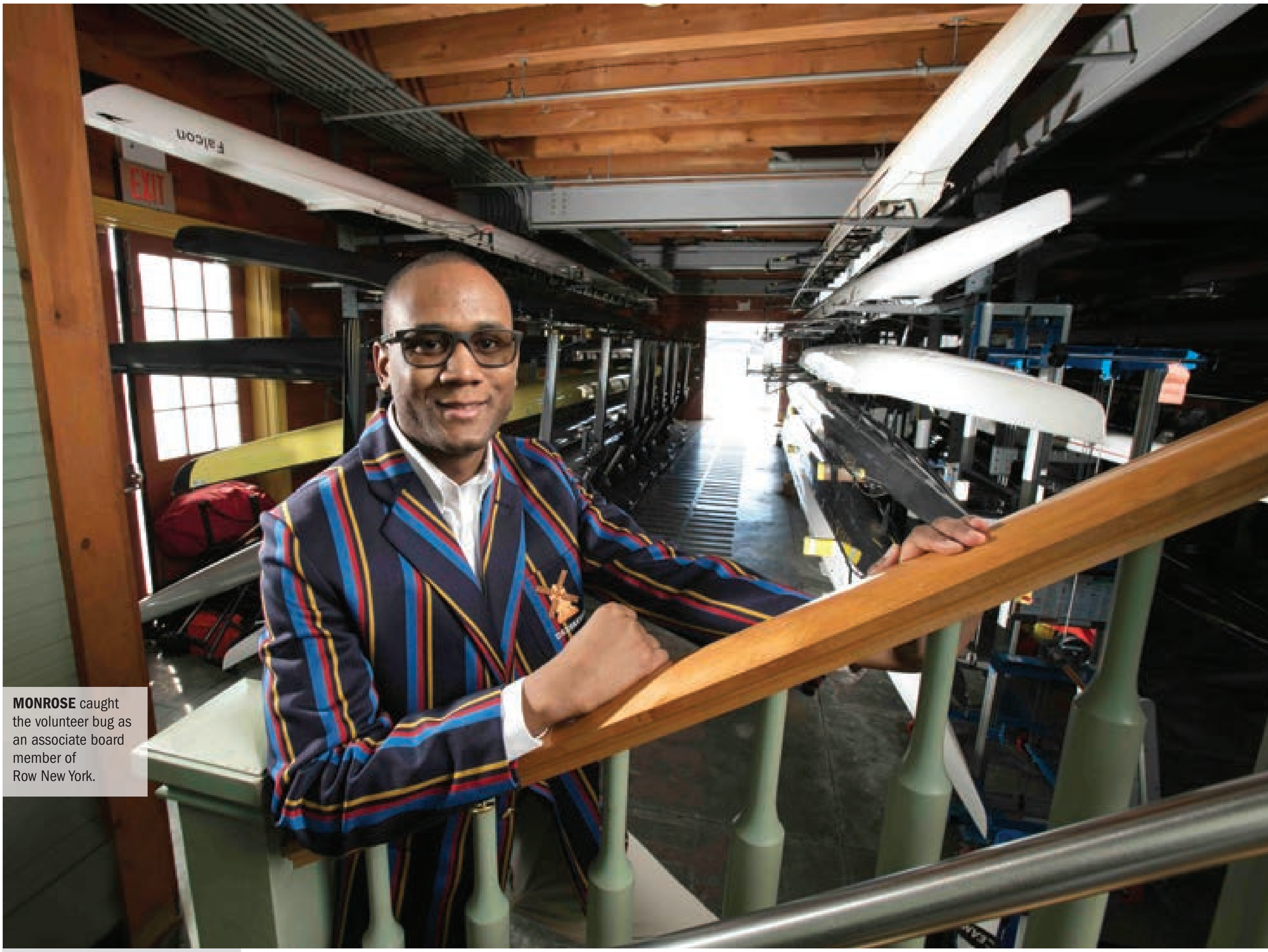
## Feeding needy New Yorkers

New York Common Pantry held its 11th annual Fill the Bag benefit March 5. It raised more than $800,000 to help provide meals and services to at-risk individuals. Master of ceremonies **Willie Geist**, co-host of MSNBC's *Morning Joe*; his wife, **Christina Geist**, founder of Boombox Gifts; **Shannon Tyree Brown**, chief strategy officer of Boombox Gifts; and **Seamus Brown**, strategist at Moore Capital Management, were among the 350 guests at the event at Ziegfeld Ballroom.

ILYA S. SAVENOK/GETTY IMAGES FOR NEW YORK COMMON PANTRY

**Susan Merrill**, partner at Sidley Austin, was presented with the 2019 Corporate Partner Award on behalf of her law firm by **Rene Jocelyn**, managing director at Morgan Stanley, last year's recipient of the award.

SEE MORE OF THIS WEEK'S SNAPS AT CRAINSNEWYORK.COM/SNAPS. GET YOUR GALA IN SNAPS. EMAIL SNAPS@CRAINSNEWYORK.COM.



MONROSE caught the volunteer bug as an associate board member of Row New York.

BUCK ENNIS

### RHODEN MONROSE

**BORN** St. Lucia

**RESIDES** Greenwich Village

**EDUCATION** Bachelor's in economics, Trinity College

**DREAM ACHIEVED** After Monrose and his sister left for boarding school, their mom went back to school. She graduated with a master's in social work in 2009, the year her son received his college diploma.

**ON THE WATERFRONT** Monrose said he discovered rowing as a student at the Middlesex School in Concord, Mass. and became team captain his senior year.

**WHAT'S IN A NAME** Cariclub takes its root from *caritas*, the Latin word for charity.

**FEES** Cariclub charges clients a four-figure annual fee, and Monrose said the average company signs up for 100 licenses in its first-year tryout and even more after renewal. Cariclub now has 24 clients.

# Matchmaking for nonprofits

## A former trader links young professionals to charitable boards

BY JEANHEE KIM

What do millennials want? Rhoden Monrose, 32, a former Wall Street trader, says it's to make a difference in the world. To that end, in 2016 Monrose launched Cariclub, an online platform to engage high-performing professionals in volunteer work on nonprofit junior boards.

"I want to harness that energy of millennials to get involved in philanthropy," he said, "because I know the impact it will have."

While working at Citigroup as an interest-rate derivatives trader, his first job, Monrose joined the associate board of Row New York, a nonprofit that introduces underprivileged youth to the sport of rowing.

"It changed the course of my life," Monrose said. What clicked for him was how much his life improved by having more going on in it.

He saw his peers quitting their high-paying jobs and was sure the long hours spent on a single occupation was the culprit. He thought volunteering could help and began developing his idea after hours. Within two years he left Citigroup, using his bonus to devote himself to the startup full-time. Citigroup became Cariclub's pilot customer.

"A lot of things I learned from the pilot shaped Cariclub into what it became," he said. In 2016 KKR became its first paying client—which led to angel funding by its executives Henry Kravis and Paul Raether.

Cariclub works like a dating app—"a Tinder for nonprofit board members." Companies offer Cariclub to high-potential staffers—usually with 10 years' work experience or less—as a benefit. The employees fill out a profile that helps match them to any of the 1,000-plus nonprofits worldwide in Cariclub's database. The employees get to check them out by attending events, making an offer after a few months to their choice that is hopefully accepted by its associate board.

The benefit to the company is more leadership development and networking for young employees. "If that helps you advance your career," Monrose said, "that means you can write a bigger check." So the nonprofits gain too.

What Monrose gets out of Cariclub is the chance to pay forward the assistance he received in his own life. He emigrated from St. Lucia to Harlem at age 12, when his mother, a nanny, was able to send for him and his sister. Prep for Prep, a New York City organization that helps underprivileged kids get into private school, supported the siblings in getting admitted to boarding schools. Monrose attended high school and college in New England on full scholarships.

"I was supposed to become the doctor in my family," he said. "But then I decided I would become a doctor to the economy." ■

"I WANT TO HARNESS THAT ENERGY OF MILLENNIALS **TO GET INVOLVED IN PHILANTHROPY** BECAUSE I KNOW THE IMPACT IT WILL HAVE"