



The City of New York
Department of Investigation

MARGARET GARNETT
COMMISSIONER

80 MAIDEN LANE
NEW YORK, NY 10038
212-825-5900

Release #14-2019
nyc.gov/doi

**FOR IMMEDIATE RELEASE
TUESDAY, MAY 21, 2019**

**CONTACT: DIANE STRUZZI
NICOLE TURSO
(212) 825-5931**

**REMARKS OF CITY DEPARTMENT OF INVESTIGATION (“DOI”) COMMISSIONER MARGARET GARNETT
REGARDING ANNOUNCEMENT OF CHARGES INVOLVING AFFORDABLE HOUSING FRAUD IN BROOKLYN**

Thank you District Attorney Gonzalez.

I am proud to stand here with you and your team of prosecutors to announce criminal charges in this case – one that highlights the importance of protecting fair access to our scarce affordable housing stock, including City-supervised Mitchell-Lamas like Luna Park.

This indictment demonstrates that those who choose to manipulate the rules for their own gain, by devising conspiracies to rig access to affordable housing, will be held accountable. We will not allow affordable housing in this City to be used as someone’s get-rich-quick scheme.

The criminal plan here was simple – the equivalent of passing an envelope full of cash under the table to snatch an apartment from those individuals who followed the rules and were patiently waiting on a list.

But the execution of that plan was complex, requiring deep knowledge and access to the Mitchell-Lama rules and operations.

As charged in this indictment, these defendants were insiders – either at the managing agent or officers of the co-op board – and they compromised the integrity of the application process at Luna Park for their own financial benefit. They used these apartments as their personal piggy bank, creating and providing forged documents to support false claims to these units, in return for hundreds of thousands of dollars in bribes, according to the indictment.

In just one example from the indictment, a defendant demanded \$120,000 in bribe money in exchange for the right to buy a two-bedroom apartment at Luna Park.

The case began in 2017 when DOI received allegations that access to Luna Park’s Mitchell-Lama apartments were being illegally sold in exchange for cash bribes. Our investigators began the painstaking work of combing through reams of documents – one-by-one – slowly assembling the pieces of the alleged conspiracy and exposing the fraud.

DOI found two basic schemes, according to the charges: one that helped external applicants jump the waitlist; and a second that helped individuals fraudulently claim a family tie to the apartment, commonly described as having a “succession right.”

more

Over the course of this investigation, among other investigative steps, DOI compared the applications submitted to the City's Department of Housing Preservation and Development ("HPD") with other relevant documents maintained by other government agencies.

DOI investigators found something didn't quite add up.

In one case, an external applicant applied to purchase a one-bedroom apartment as if they were actually related to an individual on the waitlist. The rules allow an individual on a waitlist to give up their spot for a relative who is listed on his or her original application. In this case, an employee of the management company provided a bogus application from 1992 that made it look like the new applicant was related to the person on the waitlist. But DOI interviews determined that the supposed relationship did not exist, and the bogus application effectively allowed this external applicant to jump in front of thousands of individuals patiently waiting on the real list.

In another example, in documents submitted to HPD, an original apartment shareholder appeared to have granted succession rights to the apartment to his supposed niece and nephew, purportedly based on signed and notarized documents. The only problem? The owner had been dead for years, substantiated through a death certificate filed with the City Department of Health and Mental Hygiene.

In every instance of fraud, the indictment alleges that these defendants – Karina Andriyan, Anna Treybich, and Irina Zeltser – carried out these schemes to enrich themselves, at the expense of middle-class New Yorkers waiting patiently for the opportunity to access the limited pool of affordable housing.

As the City's Inspector General, DOI also looked to see if there were failures in City processes that allowed this conduct to flourish unchecked.

Investigators determined that HPD and Metro Management did not sufficiently maintain or monitor the waitlists for Luna Park. Without a mechanism for tracking who was rightfully on these waitlists, HPD was unable to detect phony applicants, leaving the process vulnerable to fraud and bribery.

DOI will be issuing recommendations to HPD to close the corruption gaps exposed during this investigation, including recommendations that strengthen HPD's oversight of the application process. Now that the indictment has been unsealed, those discussions with HPD can move forward.

This indictment exposes some of the challenges in ensuring fair access to affordable housing, but I am encouraged that we can tackle it. HPD has worked with DOI, implementing previous recommendations we have made pushing for more effective oversight of management companies and boards at City-supervised Mitchell Lama developments, and has demonstrated commitment to improving its processes and coming up with new ideas. DOI will continue to be part of those conversations, as well as continuing to investigate individuals who break the rules.

At a time where New York City continues to face a shrinking inventory of affordable housing, and low- and middle-income New Yorkers wonder if they can find a home in this City, it is essential that we preserve access to our existing stock of affordable housing for New Yorkers who meet the eligibility requirements and have patiently waited for their turn.

There isn't one answer to the problem. There is no quick fix.

It takes all of us doing our part. DOI, along with the Brooklyn District Attorney's Office, remain committed to doing ours. In that vein, I want to remind everyone, if you suspect wrongdoing involving affordable housing, please report it to 212-3-NYC-DOI. New Yorkers are one of our best sources for information.

In closing, I would like to thank our great partners at the Brooklyn District Attorney's Office, its detective investigators and the dedicated team of prosecutors who worked this case with DOI, specifically: Senior Assistant District Attorney in the Frauds Bureau Vivian Young Joo and Senior Assistant District Attorney

in the Organized Crime / Racketeering Unit Theresa Robitaille, under the supervision of Chief of the Organized Crime and Racketeering Bureau Christopher Blank.

I want to thank the Inspector General for the U.S. Department of Housing and Urban Development for their assistance in this investigation and the City's Department of Housing Preservation and Development for its cooperation on this investigation and in our efforts to resolve these issues going forward.

And, finally, I want to thank the hard-working team of DOI investigators, specifically Assistant Inspector General Maria Horvat, under the supervision of Deputy Inspector General Michael Antolini, Senior Inspector General Jessica Heegan, Associate Commissioner Jay Flaherty, Deputy Commissioner / Chief of Investigations Dominick Zarrella and First Deputy Commissioner Daniel Cort. I also want to thank DOI's NYPD Squad of Detectives for their outstanding work on this investigation.

Thank you.

An indictment is an accusation. Defendants are presumed innocent until proven guilty.

DOI is one of the oldest law-enforcement agencies in the country and New York City's corruption watchdog. Investigations may involve any agency, officer, elected official or employee of the City, as well as those who do business with or receive benefits from the City. DOI's strategy attacks corruption comprehensively through systemic investigations that lead to high-impact arrests, preventive internal controls and operational reforms that improve the way the City runs.

**DOI's press releases can also be found at twitter.com/NYC_DOI
Bribery and Corruption are a Trap. Don't Get Caught Up. Report It at 212-3-NYC-DOI.**