

May 07, 2008 1:31 PM

Cuomo cracks down on NY real estate fraud

The AG is devoting more staff and funding to the Real Estate Finance Bureau, which was neglected under former AG Eliot Spitzer.

By **Hilary Potkewitz**

State Attorney General Andrew Cuomo is stepping up efforts to crack down on real estate fraud and other violations. In March, the AG's freshly beefed-up Real Estate Finance Bureau alleged that the Miami-based Related Group sold more than 65 unregistered Florida condo units to New Yorkers in violation of state law.

That investigation followed one in November, charging a Brooklyn developer with fraud and deceit in the sale of 12 newly constructed condominiums in Brooklyn's Park Slope neighborhood. That case was the first such case against a developer filed by the once moribund Bureau in more than two years.



Mr. Cuomo is rebuilding the reputation of the real estate division, which suffered from understaffing and lack of attention under former Attorney General Eliot Spitzer, who favored high-profile Wall Street investigations.

"What happened under Eliot Spitzer was just neglectful," says Douglas Heller, head of the co-op and condo practice at law firm Herrick Feinstein, who typically represents developers. He's also a former assistant attorney general. "There was no enforcement under Spitzer, absolutely none."

In contrast, Mr. Cuomo has doubled the bureau's enforcement staff in the last year, hiring four attorneys in January alone. He also gained legislative approval for a 30% increase in the filing fees for big real estate developments, with the proceeds going to the real estate bureau.

"They're really just getting the group off the ground," says Jeanne Matase, a partner at Pryor Cashman who represents developers. With more people, she says, the bureau will also be able to speed up its review of new projects. In previous years it was common for offering plans to languish at the AG's office for six to nine months.

"They're supposed to respond to your initial filing within 30 days, Ms. Matase says. "Volume-wise, they were drowning."

Already developers are reporting filing turnaround times have shortened to about 90 days.

Enforcement and investigation of complaints is also expected to improve too. Real estate attorney Adam Leitman Bailey, who represents buyers with grievances against developers, anticipates a more aggressive AG's office.

"If you murder somebody, you have to worry that the police are going to get you," he says. "If you build a bad building in this city, we want there to be a fear that the AG is going to be coming."