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50 Indicted in Bribery Schemes Involving NYC Employees: Officials

By Josh Barbanel and Laura Kusisto

Sixteen City Employees Among Those Involved After Inquiry Began Into Single Building Inspector



Manhattan District Attorney Cyrus Vance Jr., right, speaks at a news conference about bribery schemes involving 50 people, including city building and housing employees and private industry property managers and contractors in lower Manhattan on Tuesday. *PHOTO: PETER FOLEY FOR THE WALL STREET JOURNAL*

In New York City's fast-paced real-estate world, an envelope full of cash or a free Caribbean cruise was sufficient to clear even serious building violations from scores of properties, according to a series of indictments detailed Tuesday.

Fifty people, including 16 city employees and 31 people representing developers and building owners, were charged in alleged schemes that paid bribes totaling \$450,000, prosecutors said.

The indictments were announced by the Manhattan district attorney's office, the city Department of Investigation and the New York Police Department.

As part of the alleged schemes, complaints were dismissed and building stop-work orders for problems like "failure to safe guard persons and property" were removed, prosecutors said.

PROPERTY PROBE

Allegations by prosecutors investigating the conduct of building and housing inspectors:

- Investigation began as an inquiry into bribery of a building inspector
- About \$450,000 in bribe payments made
- Cash payments ranged between \$200 and \$3,000
- A total of 106 properties involved in the investigation
- Among the 50 defendants are 16 city employees and 22 property managers

Source: Manhattan District Attorney

Housing violations for rodents, blocked fire escapes, lack of adequate heat and mold were cleared—without inspection.

The highest ranking official indicted was Donald O'Connor, 44 years old, chief of development for Manhattan construction at the city Department of Buildings. He was charged with accepting bribes to expedite inspections and dismiss complaints.

Mr. O'Connor's annual salary was about \$95,000 in 2014, according to the department. His attorney, Scott Fenstermaker, declined to comment.

Another ranking building-department official was allegedly paid bribes including two SUVs—a Nissan Rogue and a GMC Terrain—a Royal Caribbean cruise and \$200,000 for home-mortgage payments. The official wasn't named in the indictment because he was a cooperating witness, according to a law-enforcement official.

New York City's construction industry has a history of corruption, and city officials and industry figures alike have been indicted in recent years. Their schemes ranged from falsifying concrete tests to offering and receiving bribes and kickbacks.

“Unfortunately there's been a history of this going back 30 years, maybe longer than that, where there's always bad apples no matter what you try to do,” said Richard Lambeck, chairman of the construction management program at the New York University Schack Institute of Real Estate.

Manhattan District Attorney Cyrus R. Vance Jr. linked the current round of bribery allegations to pressures of the strong real-estate market.

“Today’s cases demonstrate that the same surging demand that drives the pace of development can inspire the taking of shortcuts, and the taking of bribes,” he said.

The new allegations involved seven commercial buildings, including several bars in Manhattan. Most, however, were residential building in Brooklyn. Some were under pressure to clear violations so they could be sold or obtain refinancing during the strong real-estate market, according to court filings.

The arrests were based on an investigation begun two years ago by the city DOI and the Manhattan district attorney’s rackets bureau into the suspected bribery of a single city building inspector. Investigators said they gradually discovered a series of separate schemes by analyzing city records and using court-authorized wiretapping, phone records and financial filings.

The 50 people charged also included 22 property managers, six expeditors, two contractors and one engineer. In all there were 26 indictments involving 106 buildings.

At the department of Housing Preservation and Development, some building managers paid cash bribes ranging from \$1,500 to \$2,500 per property to get violations dismissed.

In one scheme, Manhattan prosecutors said Luis Soto, a Brooklyn housing inspector, would collect bribes to clear violations, and have a Manhattan supervisor, Oliver Ortiz, put false entries into the housing department’s computer system, prosecutors said. Mr. Ortiz’s attorney, Terrence Grifferty, declined to comment on the case. Together they collected \$41,500 to clear 778 violations, prosecutors said.

In one case caught on wiretap, prosecutors said Mr. Soto discovered he had corrected violations on the property next door to one he had paid to fix.

“Alright, well when I go, when I go up to the office, I’ll take care of that one too,” he was quoted as saying.

Mr. Soto’s attorney, Michael Fineman, declined to comment on the charges.

New York Mayor Bill de Blasio has made overhauling the building permitting process a centerpiece of his agenda to build more affordable and market-rate apartment.

The Housing Preservation and Development Department, the city agency charged with overseeing affordable housing in the city as well as tracking building conditions, is taking steps to prevent future misconduct, a spokesman said. Those include designing procedures that better identify patterns of unusual violation-reporting activity.

A spokesman for the Department of Buildings said that it had reinspected every property that may have been affected by the alleged fraud. Rick Chandler, who was appointed commissioner of the department in July, has tapped an outsider to determine areas within the agency that are vulnerable to employee misconduct or fraud.

Still, every building commissioner makes promises to tighten up the system, industry leaders noted.

“You don’t want a key city agency to be an impediment, so everything that can be done to improve and streamline the department’s processes will be helpful, but no one should be deluded into thinking that streamlining the Department of Buildings is the sole answer,” said Richard Anderson , president of the New York Building Congress.