



DANIEL SQUADRON  
SENATOR, 26TH DISTRICT

THE SENATE  
STATE OF NEW YORK

RANKING MINORITY MEMBER  
CODES  
COMMITTEES  
CORPORATIONS, AUTHORITIES  
& COMMISSIONS  
FINANCE  
INVESTIGATIONS &  
GOVERNMENT OPERATIONS  
SOCIAL SERVICES  
TRANSPORTATION

December 21, 2016

New York State Attorney General  
Eric T. Schneiderman, Esq.  
The Capitol  
Albany, NY 12224

Corporation Counsel  
Zachary Carter, Esq.  
New York City Law Department  
100 Church Street  
New York, NY 10007

Dear Attorney General Schneiderman and Corporation Counsel Carter,

In addition to any ongoing investigations, I write to ask you to investigate the events surrounding the sale of Rivington House for possible violations of the False Claims Act, at the State and City levels. The closure of Rivington House, on Manhattan's Lower East Side, stunned the community and highlighted major flaws in the process that governs deed restrictions in New York City.

In 2015, Rivington House was purchased by a private company, Allure Group, with a deed restriction in place requiring the site to be operated as a non-profit residential healthcare facility. Allure purchased the property for \$28 million and paid \$16.15 million to New York City to lift the deed restriction. It then terminated its nursing home operations and sold the property for \$116 million to developers intending to turn the site into luxury housing.<sup>1</sup>

As you know, the State and City False Claims Acts give the Attorney General and Corporation Counsel, respectively, powers to commence civil enforcement actions against individuals and companies that have defrauded the government. The False Claims Acts allow for the recovery of treble damages, penalties, and attorneys' fees from those found to have made false claims to the government, including against a person or company that "knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the state or a local government, or conspires to do the same"<sup>iii</sup> (State False Claims Act) or "knowingly makes, uses, or causes to be made or used, a false record or statement to conceal, avoid, or decrease, directly or indirectly, an obligation to pay or transmit money or property to the city"<sup>iii</sup> (City False Claims Act).





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If false statements were made to induce the city to remove the deed restriction, it may constitute a violation of the False Claims Acts. Further, it has been reported that the City believes Allure Group may have concealed its May 2015 agreement to sell Rivington House for \$116 million, an agreement which could have obligated Allure Group to pay a higher sum than it did to the City.

The role of government is to protect the public interest and to be transparent; but that role is undermined if government is misled, as may have been the case at Rivington House. Reforms are underway to address the significant procedural flaws that led to the loss of Rivington House. But, it is also vital that we hold those accountable who may have violated the public's trust.

Please contact me with any questions. Thank you for your attention to this matter.

Sincerely,

Daniel Squadron  
State Senator  
26th District

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<sup>i</sup> See, Office of the NYC Comptroller, "Report of the New York City Comptroller on the Sale of Two Deed Restrictions Governing Property Located at 45 Rivington Street." Available at [http://comptroller.nyc.gov/wp-content/uploads/documents/Rivington\\_Report\\_8-1-16.pdf](http://comptroller.nyc.gov/wp-content/uploads/documents/Rivington_Report_8-1-16.pdf)

<sup>ii</sup> See, State Finance Law §189(h)

<sup>iii</sup> See, NYC Administrative Code §7-803(7)

