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**MANHATTAN U.S. ATTORNEY CHARGES FORMER CO-OP CITY BOARD
PRESIDENT AND CRIMINAL ASSOCIATE WITH BRIBERY SCHEME**

*\$100,000 IN ALLEGED CASH KICKBACK PAYMENTS EXCHANGED
TO SECURE PAINTING CONTRACT WORTH \$3.5 MILLION*

MICHAEL J. GARCIA, United States Attorney for the Southern District of New York, KRISTINE HAMANN, New York State Inspector General, RENE FEBLES, Special Agent-in-Charge of the United States Department of Housing and Urban Development, Office of Inspector General in New York ("HUD"), and MARK J. MERSHON, Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the unsealing of an Indictment charging IRIS HERSKOWITZ BAEZ, the former President of the Board of Co-Op City in the Bronx, New York, and NICKHOULAS VITALE, a former painter in the Restoration Department at Co-Op City, with participating in a bribery scheme involving the exchange of \$100,000 in cash kickback payments for a Co-Op City painting contract worth \$3.5 million. As alleged in the Indictment:

Co-Op City is a New York State Mitchell-Lama housing cooperative located in the Bronx, New York. As a Mitchell-Lama development, Co-Op City was established for the purpose of providing affordable housing for middle-income residents. To effectuate that purpose, Mitchell-Lama developments such as Co-Op City charge rents that are considerably lower than the rents that qualified residents would have to pay for comparable housing on the open market.

The New York City Housing Authority ("NYCHA") is a New York City agency responsible for, among other things, supervising a Section 8 rental assistance program, which program is regulated and fully funded by HUD. As part of the Section 8 Program, HUD pays subsidies, typically in the form of vouchers, for people to live in private housing. HUD awarded approximately \$976,000 worth of federal funding to Co-Op City in 2000, \$834,000 in 2001, and \$738,000 in 2002.

Neither HUD nor NYCHA place any restriction on how Co-Op City can spend the federal subsidies. Accordingly, the housing cooperative was permitted to use the federal funds for capital improvements such as renovations to, and painting of, apartment units.

New York State, however, imposes certain regulations on how Co-Op City may spend money on capital improvements, such as requiring -- for any job in excess of \$50,000 -- that Co-Op City put the work out for bid, memorialize the agreement with the bid winner in a formal contract, and subject the contract to approval by the New York State Division of Housing and Community Renewal ("DHCR"), which regulates the housing development.

Between 2000 and 2003, BAEZ served as President, then Secretary of the Co-Op City Board. During the same time period, a co-conspirator not named in the Indictment ("CC-1") was an employee of Co-Op City. From 1999 until July 2000, VITALE was employed as a painter in the Restoration Department at Co-Op City, and by October 2000, was employed by Stadium Interior Painting, Inc. ("Stadium"), based in New York, New York. Between 2000 and 2003, another co-conspirator not named as a defendant in the Indictment ("CC-2"), was the President and owner of Stadium, and sought to do business as a vendor with Co-Op City between 2000 and 2002.

BAEZ, VITALE, CC-1, and others agreed that CC-2 would submit a bid from Stadium for painting work at Co-Op City. In exchange for help steering the work to Stadium, CC-2 agreed to pay kickbacks to BAEZ, VITALE, CC-1, and others. Based on this fraudulent arrangement, Stadium was awarded the Co-Op City painting job in September of 2000.

At the suggestion of CC-1, the work was awarded on a probationary basis, which made it possible for Co-Op City to avoid entering into a formal contract with Stadium, or submitting its decision to award Stadium the job to DHCR for its review.

From August 2000 through July 2002, Co-Op City paid Stadium approximately \$3.5 million for painting work performed at the housing development. During the same time period, CC-2 paid approximately \$100,000 in kickbacks to BAEZ, VITALE, CC-1, and others to carry out the bribery scheme.

BAEZ, 59, and a resident of the Bronx, New York, is charged with one count of conspiracy, and one count of bribery concerning a federally-funded program. VITALE, 36, a resident of Brooklyn, New York, is charged with two counts of conspiracy, and two counts of bribery concerning a federally-funded program. If

convicted, BAEZ and VITALE face maximum sentences of 15 years' imprisonment and 30 years' imprisonment, respectively.

Both BAEZ and VITALE surrendered to authorities this morning, and are expected in Manhattan federal court later this afternoon for their initial appearance.

Mr. GARCIA stated: "This Indictment exposes corruption at the highest levels of one of New York's largest affordable housing developments. The type of greed and abuse of trust exposed by this long-term investigation harms families who rely on publicly-funded programs to meet their housing needs, as well as the taxpayers who fund such programs."

"New York State residents and taxpayers must have confidence that affordable housing programs are operated honestly, efficiently, and without favor," said Ms. HAMANN. "The trust of 50,000 plus residents of Co-op City is violated when, as alleged in this case, an elected Board member with broad authority over the life of Co-op City abuses that position for personal gain. This case also demonstrates that Co-op City residents and others should be encouraged to bring complaints and concerns to our attention."

"The Department of Housing and Urban Development provides programs and services to those of our citizens often most in need," added Mr. FEBLES. "It is all the more offensive when certain individuals choose to disgrace themselves and to violate the public trust by harming those programs that serve the most vulnerable of our population. The Department of Housing and Urban Development, Office of Inspector General remains committed to being a stalwart for the American taxpayer and to being steadfast in its vigorous investigations of those who seek personal gain at the expense of those requiring relief."

Mr. MERSHON stated: "Corruption of this sort, unchecked, causes damage on so many levels, and will not be tolerated. There is economic impact on taxpayers and on the intended beneficiaries of federal program dollars. There is damage to public trust in the integrity of federal programs and those who administer them. There is the damage caused by the very wrong message that bribery and kickbacks are part of doing business, when they most certainly should not be. And there is the patently offensive result of unjust enrichment for the wrongdoers."

Mr. GARCIA praised the investigative efforts of the New York State Inspector General's Office, HUD, and the FBI. Mr.

GARCIA added that the investigation is continuing.

This case is being prosecuted by the Office's Public Corruption Unit. Assistant United States Attorneys ALEX WILSCHER and CHRISTINE WONG are in charge of the prosecution.

The charges contained in the Indictment are merely accusations and the defendants are presumed innocent unless and until proven guilty.

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