



# Department of Justice

FOR IMMEDIATE RELEASE  
MARCH 26, 2008

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## **FORMER CO-OP CITY BOARD PRESIDENT SENTENCED TO JAIL TIME FOR ACCEPTING KICKBACK PAYMENTS**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that IRIS HERSKOWITZ BAEZ, the former President of the Board of Co-Op City in the Bronx, New York, was sentenced today for accepting approximately \$10,000 in kickback payments in exchange for her assistance in steering a Co-Op City painting contract worth approximately \$3.5 million. BAEZ, 59, a resident of the Bronx, was sentenced by United States District Judge RICHARD J. SULLIVAN to six months' imprisonment and one year of supervised release. In addition, BAEZ was ordered to forfeit \$10,000. According to the Indictment filed in Manhattan federal court and statements made during BAEZ's guilty plea and sentencing proceedings:

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 the United States Department of Housing and Urban Development ("HUD"). As part of the Section 8 Program, HUD pays subsidies, typically in the form of vouchers, for people to live in private housing.

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. During the same time, another coconspirator not named as a defendant in the Indictment ("CC-2") was the President and owner of Stadium Painting ("Stadium"), a New York City painting company, and between 2000 and 2002 sought to do business as a vendor with Co-Op City.

BAEZ, 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, CC-1, and others. Based on this fraudulent arrangement, Stadium was awarded the Co-Op City painting job in September of 2000. The job was never memorialized in a formal contract or submitted for approval to DHCR because the work was awarded on a probationary basis.

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, BAEZ received approximately \$10,000 in kickback payments.

Mr. GARCIA thanked the New York State, Office of the Inspector General, for its investigative efforts and for referring the case for prosecution. He also praised the investigative work of the U.S. Department of Housing and Urban Development Office of Inspector General and the Federal Bureau of Investigation.

This case is being prosecuted by the Office's Public Corruption Unit. Assistant United States Attorney ALEXANDER WILLSCHER is in charge of the prosecution.

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