

# Preliminary report on The Richman Group and affiliated concerns

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The founder and emeritus chairman of "The Richman Group, Inc." (not to be confused with "The Richman Group of Companies", "The Richman Group Development Corporation", or a dozen other entities with similar names.) is Richard Paul Richman. The Richman Group ranks among the top 13 owners of rental apartment housing in the United States.

## *Tax Shelters*

Richard Paul Richman is emeritus chairman of the *Affordable Housing Tax Credit Coalition*. This is a group of financiers, real estate developers, lawyers, bankers, etc., established to lobby Congress to maintain the tax shelter legislation of 1986 and 1993. This legislation provides its many loopholes for corporations to avoid paying taxes by investing in "tax credits" that essentially push money around on paper and result in the saving of hundreds of millions of dollars in corporate taxes. Recent news features in 60 Minutes and the Lehrer News Hour have shown how these are being used by financial institutions such as Wachovia and First Union Banks and the investment consulting firm PMRG in so-called "Lease In, Lease Out" schemes.

The Richman Group of Companies needs to be closely scrutinized to see if it is availing itself of these failings in the tax

laws. This is because it is an integrated concern, a consortium of corporations in investment bank, development, management and real estate. It therefore has many opportunities to create tax dodges by pushing money around on its books.

### *Social Security*

Richard Paul Richman has shown an interest in undermining or even eliminating Social Security. On March 12, 1999, Richard Paul Richman and Craig Singer filed for a patent ( Application # 9/267,255) for a computerized scheme to enable future Social Security recipients to receive payments at various times in anticipation of the calculated amount they hope to receive when they retire. Such a scheme would contribute to the undermining of the entire Social Security system by depleting the investment capital that keeps the system afloat. It also exploits the universal human tendency to treat present emergencies with greater urgency than potential future returns. I have a copy of this scheme if anyone is interested.

### *Corporate Ties*

In the Memorandum of Understanding approved by the City last month , "The Richman Group Development Corporation" claims to be incorporated in Delaware. A web search in Dun & Bradstreet financial catalogues failed to turn up any Delaware subsidiaries or incorporations for Richman. However there is a strange alliance of "Wilder Richman Resources Corporation" with Kroll, Inc., which is incorporated in Delaware.

Kroll, another gigantic operation, is in the business of "risk management assessment". It calls itself the "Risk Consulting

Company" . Kroll is involved in property management, redesigning properties for greater security against terrorist and other threats, managing companies that rent out security guards and security equipment, and so forth. On May 18th, in a \$1.9 billion transaction, Kroll was sold to March and McLennan.

On August 14, 2003 , Kroll filed a detailed financial report with the U.S. Securities and Exchange commission. This long document is signed at the bottom by Richard Paul Richman himself, representing the "Wilder Richman Resources Corporation". Here is the relevant paragraph:

*" In connection with the Quarterly Report of Secured Income L.P. ("The Registrant") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof ( the "Report"), I, Richard Paul Richman, Chief Executive Officer of Wilder Richman Resources Corporation, a general partner of the Registrant, certify .....that (etc...).."*

The name "Wilder Richman Resources Corporation" cannot be found in any other document on the Internet. It is likely that it was created by Richman and Kroll for the purposes of this report by Kroll and for no other reason.

There is some important legal distinction between a "general partner" and a "security" which I don't understand. However, the Securities Dealer License of the "Wilder Richman Securities Corporation" ( listed at the Greenwich, CT address) , was revoked in Ohio on October 10th, 1997, because the corporation had failed to maintain a minimum net capital of \$5,000, and did not respond

to the hearing notice. It looks, on the surface, as if Wilder and Richman form and dissolve corporations as expediency dictates.

*Gentrification with Low Income Tax Credit Money*

What is most relevant for the North End neighborhood of Middletown, the North End Action Team and the North End Housing Initiative, is the track record of The Richman Group and its affiliates in gentrifying neighborhoods in many parts of the country. There is a general pattern to be discerned in the way it goes about applying for funding and the ways in which that funding is applied.

Although the grants that it receives are generally from some organization, institution or program involved in affordable housing, or low income housing, the projects that it builds are for middle to upper income level families with a high degree of solvency, combined with some negligible percentage of units being set aside for low income, elderly or handicapped tenants.

This pattern has been evident in the projects in which Richman has participated in Harlem since 1997. These are located on 145th and 125th Streets. The excerpts are taken from the New York Times, the Village Voice, and local newspapers:

*" ... The race is on to gentrify New York City's boroughs and well-heeled New Yorkers who previously shunned areas such as Bushwick, Williamsburg, Harlem, Washington Heights and Beford-Stuyvesant are making a mad dash to the trendy new communities that are evolving out of inner-city neighborhoods.."*

*"...It seems like the words 'affordable housing are becoming an oxymoron..."*

*"..There is very little housing created for people that make less than \$50,000 per year.."*

*" At 145th Street and Edgecombe Avenue in Harlem, there are 77 condo units under development by the Richman Group and the Gotham Organization. These are being completed under the city's Cornerstone Program and are priced from \$128,000 to \$303,000. The income range for these eligible households is \$52,000 to \$157,000, but the average income in that area is \$19,920 ..."(Real Estate New York November, 2002)*

*"When the Richman Group and the Gotham Organization formed a joint venture in 1999 to build residential projects on city-owned land, the city awarded the partners two sites in Harlem. The site they decided to develop first was 145th St between Edgecombe and Bradhurst Avenues, opposite Jackie Robinson Park. Then they applied for a \$3.2 million grant from the Manhattan borough president's capital budget. ..The Richman-Gotham request was turned down... A 77 unit apartment building now rising in Harlem is on a different schedule than its developers had original expected, and it is a co-op rather than the rental they had planned.*

*Lots of money was quickly accumulated for the co-op known as The Hamilton. \$14.8 million from Citybank, \$6.1 million from the NYC Housing Development Corporation, etc. .."*

*(New York Times, Nov. 2002)*

The next example is from the St. Petersburg Times, April 2003, and deals with projects that were quickly abandoned by the Richman Group when the right kind of money was not forthcoming:

*" .... Developer seeking to exploit a window of opportunity to gain public help in financing an affordable housing project had the door closed in their face .. The Indian River County Commission rejected a request from the Richman Group of Florida, Inc. to finance \$400,000 of impact fees at no-to-low interest over 30 years"*

*" ...Stop blaming Seven Hills (in Hernando County, Florida ) for Richman Group's failure to build in Hernando County. When it was apparent that funds were not forthcoming, true to form, the Richman Group packed its bags and left."*

**These are a few examples of what appears to be a typical pattern. This should be considered a preliminary report only. The North End Action Team will be kept up to date as more details surface and a comprehensive picture develops.**

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