

East Sixth St. Funding LLC v Cherny Props. Inc.

2022 NY Slip Op 32287(U)

July 11, 2022

Supreme Court, New York County

Docket Number: Index No. 850248/2021

Judge: Francis A. Kahn III

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This opinion is uncorrected and not selected for official publication.

**SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY**

PRESENT: HON. FRANCIS KAHN, III PART **32**

Justice

-----X

EAST SIXTH STREET FUNDING LLC,

Plaintiff,

- v -

CHERNY PROPERTIES INC., CHERNY REALTY
INC., ZDZISLAW CZERNY, NEW YORK STATE
DEPARTMENT OF TAXATION AND FINANCE, NEW YORK
CITY DEPARTMENT OF FINANCE, BUREAU OF
HIGHWAY OPERATIONS, NEW YORK CITY
DEPARTMENT OF TRANSPORTATION, NEW YORK CITY
ENVIRONMENTAL CONTROL BOARD, JOHN DOE 1
THROUGH 100

Defendant.

-----X

INDEX NO. 850248/2021

MOTION DATE _____

MOTION SEQ. NO. 001

**DECISION + ORDER ON
MOTION**

The following e-filed documents, listed by NYSCEF document number (Motion 001) 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 156, 157, 158, 159, 160, 185, 186, 187, 188, 189, 190

were read on this motion to/for APPOINT - FIDUCIARY

Upon the foregoing documents the motion is determined as follows:

The within action is to foreclose on a mortgage encumbering two parcels of real property located at 421 East 12th Street, New York, New York and 511 East 6th Street, New York, New York. Plaintiff commenced this action alleging Defendants Cherny Properties, Inc. and Cherny Realty, Inc. defaulted in making installment payments under the note secured by the mortgage. Defendants Cherny Properties, Inc., Cherny Realty, Inc. and Zdzislaw Czerny answered jointly and pled four affirmative defenses and a counterclaim.

Section 22 of the agreement of spreader, consolidation and modification of mortgage dated May 15, 2018, as follows:

Mortgagee, upon the occurrence of an Event of Default or in any action to foreclose the Mortgage or in any non-judicial foreclosure proceeding commenced pursuant to Article 14 of the Real Property Actions and Proceedings Law or upon the actual or threatened waste to any part of the Mortgaged Property, shall be entitled to the appointment of a receiver without notice and without regard to the value of the Mortgaged Property as security for the Debt, or the solvency or insolvency of any person liable for the payment of the Debt.

Now, Plaintiff moves pursuant to RPL §254[10] and RPAPL §1325 for the appointment of a temporary receiver of the rents of the mortgaged premises.

Under Real Property Law §254[10], the appointment of a receiver in the event of a default is proper where the parties to the mortgage agree to same even without notice or without regard to the sufficiency of security (*see ADHY Advisors LLC. v 530 W. 152nd St. LLC*, 82 AD3d 619 [1st Dept 2011]; *366 Fourth St. Corp. v Foxfire Enters.*, 149 AD2d 692 [2nd Dept 1989]). Despite the parties' assent, the appointment is not perfunctory and the court, in the exercise of its equitable power, retains the discretion to deny the appointment of a receiver (*see ADHY Advisors LLC. v 530 W. 152nd St. LLC*, supra; *Nechadim Corp. v Simmons*, 171 AD3d 1195, 1197 [2nd Dept 2019]).

In the present case, it is undisputed that the parties' mortgage provides that Plaintiff may apply for the appointment of a receiver regardless of the adequacy of the property as security and Plaintiff established that Defendant Mortgagors defaulted in repayment. Accordingly, Plaintiff established its entitlement to the appointment of a receiver of the mortgaged premises (*see eg CSFB 2004-C3 Bronx Apts LLC v. Sinckler, Inc.*, 96 AD3d 680 [2nd Dept 2012]).

In opposition, Defendants' argument that evidence of their default sufficient to support this motion has not been proffered is without merit. In their answer, Defendants admitted the allegation in paragraph fourteen of the complaint which alleges the "Borrowers have failed to comply with the terms and provisions of the Note and Mortgage . . . by failing to pay the amount due for the monthly payment which became due on September 1, 2020, and each month thereafter, which was an Event of Default on that date". Further, on November 18, 2021, well before this motion was made, Defendants Cherny Properties, Inc. and Cherny Realty, Inc. filed hardship declarations pursuant to COVID-19 Emergency Protect Our Small Business Act of 2021 (L. 2021, c. 73). Those documents were affirmed by Defendant Zdzislaw Czerny as "owner, chief executive officer, president, or similar officer of the corporations and contained the acknowledgement that both were "unable to pay the mortgage in full".

Defendants' reliance on CPLR §6401 and the cases interpreting same is inapposite as that authority does not concern the situation as presented here where appointment of the receiver was sought under RPL §254[10] and pursuant to an express agreement (*see Mesa W. Real Estate Income Fund III, LLC v Sterling Portfolio 196 LP*, ___ Misc3d ___, 2021 NY Slip Op 30261[U][Sup Ct Kings Cty 2021]). Substantively, Defendants have not demonstrated that denial of the appointment of a receiver is an appropriate exercise of the court's discretion (*see eg Shaw Funding, LP v Bennett*, 185 AD3d 857, 858 [2nd Dept 2020]; *Nechadim Corp. v Simmons*, supra).

Accordingly, it is

ORDERED that the motion for the appointment of a Temporary Receiver is granted; and it is further

ORDERED that, at Plaintiff's request, **Harvey L. Greenberg, Esq., 232 Madison Avenue, Ste. 909, New York, New York, 212-953-2300** is hereby appointed with the usual

powers and directions of a Temporary Receiver for the benefit of Plaintiff of all the rents and profits now due and unpaid or become due during the pendency of this action and issuing out the mortgaged property mentioned in the complaint, known by as 421 East 12th Street, New York, New York and 511 East 6th Street, New York, New York; and it is further

ORDERED that the Temporary Receiver is authorized to take charge and enter into possession of the property; and it is further

ORDERED that before entering her/his duties, the Temporary Receiver shall be sworn to fairly and faithfully discharge the duties committed to him and shall execute to the People of the State of New York and file with the Clerk of the Court an undertaking in the sum of \$155,350.00 conditioned for the faithful discharge of the duties of Temporary Receiver; and it is further

ORDERED that the Temporary Receiver is hereby directed to demand, collect and receive from the occupants, tenants and licensees in possession of said premises, or other persons liable therefor, inclusive of the mortgagor, all the rents and license fees thereof now due or unpaid or hereafter that become fixed or due and the Temporary Receiver is authorized to institute and carry on all legal proceedings necessary for the protection of said premises or to recover possession of the whole, or any part thereof, and apply to this Court to fix reasonable rental value and license fee value and to compel the tenants and occupants to attorn to the Temporary Receiver; and it is further

ORDERED that the Temporary Receiver may institute and prosecute suits for the collection of rent, license fees and other charges now due or hereafter to become due and fixed, and summary proceedings for the removal of any tenants or licensees or other persons therefrom; and it is further

ORDERED that pursuant to the General Obligation Law section 7-105, anybody holding any deposits or advances of rental as security under any lease or license agreement affecting space in the premises affected by this action shall turn same over to said Temporary Receiver within five (5) days after said Temporary Receiver shall be qualified; and thereupon the said Temporary Receiver shall hold such security subject to such disposition thereof as shall be provided in an Order of the Court to be made and entered in this action; and it is further

ORDERED that anybody in possession of same shall turn over to said Temporary Receiver all rent lists, orders, unexpired and expired leases, agreements, correspondence, notices and registration statements relating to rental spaces or facilities in the premises; and it is further

ORDERED that notwithstanding anything to the contrary contained in this order, the Temporary Receiver shall not, without the further, prior order of this Court, upon prior notice to the plaintiff, make improvements or substantial repairs to the property at a cost in excess of \$2,500.00, except that in an emergency, if funds need to be expended in excess of \$2,500 or would otherwise require Court intervention, no Court approval will be necessary if counsel for plaintiff agrees in writing that the receiver may make such disbursement; and it is further

ORDERED that the Temporary Receiver shall deposit all monies received by her/him into any FDIC-insured bank where she has an account for this purpose and such account shall show the name of this action and the Temporary Receiver shall furnish plaintiff's attorneys with monthly statements of the receipts and expenditures of the Receivership together with a photocopy of the monthly statements received from said depository and no withdrawals shall be made therefrom except as directed by the Court or on a draft or check signed by the Temporary Receiver; and it is further

ORDERED that the Temporary Receiver is authorized from time to time to rent and lease any part of the premises for terms not exceeding one (1) year or such longer terms as may be required by applicable laws or regulations; to keep the premises insured against loss by damage or fire; to pay the taxes, assessments, water rates, sewer rates, vault rents, salaries of employees, supplies and other charges; to comply with all lawful requirements of any municipal department or other authority of the municipality in which the mortgaged premises are situated and to procure such fire, liability and other insurance as may be reasonably necessary; and it is further

ORDERED, that the tenants, licensees or other persons in possession of said premises attorn to the Temporary Receiver and pay over to the Temporary Receiver all rents, license fees, and other charges of such premises now due and unpaid or that may hereafter become due; and that the defendants be enjoined and restrained from collecting the rents, license fees and other charges of said premises from interfering in any manner with the property or its possession; and from transferring, removing or in any way disturbing and of the occupants or employees; and that all tenants, occupants, employees and licensees of the premises and other persons liable for the rents be and hereby are enjoined and restrained from paying any rent or license fees or other charges for such premises to the defendants, their agents, servants or attorneys; and it is further

ORDERED that the Temporary Receiver is prohibited from incurring obligations in excess of the monies in her hands without further Order of this Court or written consent of Plaintiff's attorney and Plaintiff may advance money, which can be recouped in this litigation; and it is further

ORDERED that the Owner turn over to the Temporary Receiver all rents collected from and after the date of this Order; and it is further

ORDERED that all persons now and hereafter in possession of said premises, or any part thereof, and not holding such possession under valid and existing leases or tendencies, do forthwith surrender such possession to the Temporary Receiver, subject to emergency laws, if any, and it is further

ORDERED that the Temporary Receiver after paying the expenses of the management and care of the said premises as above provided retain the balance of the monies which may come into his hands until the sale of the said premises under the judgment to be entered in this action and/or until further Order of this Court, and it is further

ORDERED that the Temporary Receiver, or any party hereto, may at any time, on proper notice to all parties who have appeared in this action, apply to the Court for further and other

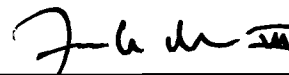
instructions or powers necessary to enable the Temporary Receiver to properly fulfill her duties or for interim fee payments; and it is further

ORDERED that the appointed named herein shall comply with Section 35a of the Judiciary Law, Sections 6401-6404 of the CPLR, Section 1325 of RPAPL and Rule 36 of the Chief Judge; and it is further

ORDERED that notwithstanding any other provision of this order, the Temporary Receiver shall not appoint an attorney, managing agent, appraiser, auctioneer or accountant without prior order of this Court, and that the receiver shall apply to the court and file a separate application for appointment of a managing agent, attorney or other managing services pursuant to 36.1 of the Uniform Court Rules.

7/11/2022

DATE



FRANCIS A. KAHN, III, A.J.S.C.

CHECK ONE:

CASE DISPOSED

HON. FRANCIS A. KAHN III
J.S.C.

X

GRANTED

DENIED

GRANTED IN PART

OTHER

APPLICATION:

SETTLE ORDER

SUBMIT ORDER

CHECK IF APPROPRIATE:

INCLUDES TRANSFER/REASSIGN

FIDUCIARY APPOINTMENT

REFERENCE