

White Plains developer sued, accused of siphoning millions from investors

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(Photo: File photo)

WHITE PLAINS - A local developer and his companies have been sued by investors for allegedly misappropriating money that was meant for residential projects in Scarsdale, as well as on Manhattan's Upper East Side and Long Island.

Nearly 20 investors, including some with ties to Westchester, have filed at least seven lawsuits against Michael D'Alessio and his company, Michael Paul Enterprises of White Plains, as well as several other entities under D'Alessio's control.

Court papers, filed with the state Supreme Court in White Plains, claim that D'Alessio and his companies lured investors into seven separate development projects by promising 9 to 16 percent annual returns.

And after receiving hundreds of thousands of dollars of investments for a specific project, D'Alessio "began siphoning the investor funds for personal use," co-mingling funds earmarked for a certain project with his other projects, while misinforming investors about the projects' progress and their costs, according to the complaints.

D'Alessio eventually stopped paying "equity returns" to his investors, and when requested by investors to return the money, he urged them to reconsider, according to the lawsuits.

The lawsuits seek a total of more than \$92 million in damages from a "massive scheme" undertaken by D'Alessio and his entities.

D'Alessio and his attorney Howard Kingsley did not return phone and email messages seeking comment.



A work-in-progress sign at 163-165 E. 62nd St. in Manhattan. Developer Michael D'Alessio and his companies plan to build a six-story residential building. (Photo: Akiko Matsuda/The Journal News)

But during a recent court appearance, Kingsley told state Supreme Court Judge Linda Jamieson that plaintiffs are "sophisticated investors" who "are not mom and pop type of people who are unsophisticated who were taken advantage of," and that they had been warned of potential risks of investing in D'Alessio's projects.

"Your honor, these people invested with Mr. D'Alessio based upon his success in the past," Kingsley told the judge. "He never went into this with any intent to defraud them."

Michael D'Alessio, White Plains developer, sued for alleged fraud

The investors include Rella Fogliano and Joseph Breda with The MacQuesten Companies, a Pelham-based developer; Attis Properties of Harrison; and Stacey Gendels, Bonni Stanley, and Marilyn Shendell, who are associated with Cornell Pace Inc., a New Rochelle-based property management and investment company.

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Countering Kingsley's argument, Tab Rosenfeld, attorney representing the investors, told the judge that D'Alessio's warning about investment risks "doesn't give him a license to commingle funds. It doesn't give him a license to divert funds from one investment to another."

"These are victims, your honor, of investments where Mr. D'Alessio has taken tens of millions of dollars from investors and can't explain what he did with the money," Rosenfeld told the judge.

Luxury slump

D'Alessio has been active as a developer in Westchester, Manhattan and the Hamptons for the past three decades.

His companies have focused on the construction of luxury condominiums and homes in those areas; the softening of that high-end housing market in recent years might have led to his recent troubles.

According to the lawsuit involving a D'Alessio project at 15 and 17 Circle Road in Scarsdale, the developer purchased two lots — a total 1.3 acres — for \$2.2 million in spring 2017, planning to build a 6,000-plus-square-foot luxury home on each lot. Investors in April 2017 contributed \$600,000 to the \$5.65 million project, expecting a 12 percent annual return, court papers stated.



This 6-bedroom home at 17 Circle Road, Scarsdale, is one of the projects under Michael D'Alessio and his companies. (Photo: Akiko Matsuda/The Journal News)

The two "new construction" homes on Circle Road have been listed for sale for nearly a year, according to online listing websites: [17 Circle Road](https://www.houlihanlawrence.com/property/110043503/17-circle-road-scarsdale-ny-10583) (<https://www.houlihanlawrence.com/property/110043503/17-circle-road-scarsdale-ny-10583>) was initially priced at \$3.499 million but now at \$3.299 million; and [15 Circle Road](https://www.houlihanlawrence.com/property/110043493/15-circle-road-scarsdale-ny-10583) (<https://www.houlihanlawrence.com/property/110043493/15-circle-road-scarsdale-ny-10583>) was originally priced at \$3.599 million but now at \$3.099 million.

Construction of the 17 Circle Road site was still ongoing during a recent tour, although no structure has yet to be built at 15 Circle Road.

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The lawsuit argues that Michael Paul Enterprises was compensated for construction "that did not take place" on the Circle Road site. In fact, investors' funds were used to cover D'Alessio's personal expenses, according to court papers.



This six-story boutique luxury condominium building, The Jacqueline, is one of the recent projects by developer Michael D'Alessio and his companies. (Photo: Akiko Matsuda/The Journal News)

The developer's four projects in Manhattan named in the lawsuits involved the construction of boutique condominium buildings, and two of them — at 184 E. 64th St. and 227 E. 67th St. — were actually completed. But D'Alessio was unable to sell those high-end units in Manhattan's softening luxury condominium market. He then decided to rent them out, while loading the buildings with additional debts, court papers stated.

To protect their investments, all seven lawsuits sought a court order to stop the developer from liquidating the project assets, and the court, though temporarily, has granted it, pending the hearing set for 9:30 a.m. Friday.

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