



U.S. Department of Justice

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FOR IMMEDIATE RELEASE

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PRESS RELEASE

ASSISTANT COMMISSIONER OF NYC DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT INDICTED FOR RACKETEERING, BRIBERY AND EXTORTION

Six Others, Including Manhattan Attorneys and NYC-Wide Real Estate Developers, Also Charged

Federal and New York City law enforcement agents and officers today arrested an Assistant Commissioner for the New York City Department of Housing Preservation and Development (HPD) and six others on charges of racketeering conspiracy, bribery, extortion, wire fraud and money laundering in connection with corruption schemes that netted the defendants between one and two million dollars in kickbacks and bribes over a decade and cost HPD hundreds of thousands of dollars in overpayments to developers on HPD projects in Brooklyn, Queens and the Bronx.¹ Wendell Walters, HPD's Assistant Commissioner for New Construction, and real estate developers Stevenson Dunn, Lee Hymowitz, Esq., Michael Freeman, Esq., Sergio Benitez, Robert Morales and Angel Villalona will be arraigned this afternoon on a 26-count indictment before United States Magistrate Judge Robert M. Levy, at the U.S. Courthouse, 225 Cadman Plaza East, Brooklyn, New York. The case has been assigned to United States District Judge Nina Gershon.

The case was announced by Loretta E. Lynch, United States Attorney for the Eastern District of New York; Janice K. Fedarcyk, Assistant Director-in-Charge, Federal Bureau of Investigation, New York Field Office (FBI); Robert Panella, Special Agent-in-Charge, United States Department of Labor (DOL); Rose Gill Hearn, Commissioner, New York City Department of Investigation (DOI); Charles Pine, Special Agent-in-Charge, Internal Revenue Service, Criminal Investigation, New York (IRS); and Kevin Chan, Acting Special Agent-in-Charge, United States Department of Housing and Urban Development, Office of Inspector General, New York (HUD).

¹ The charges contained in the indictment are merely allegations, and the defendants are presumed innocent unless and until proven guilty.

HPD is the largest municipal developer of affordable housing in the United States. During his tenure at HPD, Walters oversaw various programs, including the Neighborhood Entrepreneurs Program and the Division of Housing Production, which were aimed at enabling private property managers, developers and non-profits to build and rehabilitate buildings to provide affordable housing. City regulations permit HPD to award projects to private developers, who in turn hire general contractors to carry out the construction and rehabilitation of city-owned vacant and under-utilized properties.

The indictment and search warrant application for Walters' residence and HPD office allege that beginning in 2002, Walters accepted approximately \$600,000 in bribes from general contractors and real estate developers in exchange for awarding them HPD contracts. On multiple occasions, Walters allegedly summoned a general contractor, identified as John Doe #1 in the indictment, to various locations around the city, including a golf driving range in the Bronx, where Walters would hand John Doe #1 a slip of paper with the amount – usually “250,” signifying \$250,000 – that Walters was demanding. In subsequent meetings, John Doe #1 would make cash payments, often in excess of \$25,000 at a time, to Walters, hiding the money in golf ball boxes, overnight mail envelopes and coffee cups. During the same time period that he was paying these bribes, John Doe #1 was awarded the general contracts for the following HPD projects: the Lexington Avenue, Watkins Avenue Cluster, Bedford-Stuyvesant and Cooper-Decatur Cluster projects in Brooklyn, the Alexander Avenue and Crotona Park Cluster projects in the Bronx, and the Guy Brewer North Homes in Queens. The value of these general contracts was often in excess of \$10 million. Additionally, real estate developer Dunn, a friend of Walters since high school, admitted in a consensually-recorded conversation that Walters, whom Dunn described as “greedy,” demanded \$75,000 from Dunn and actually received \$25,000.

Dunn, his business partners Hymowitz and Freeman, and real estate developers Benitez, Morales and Villalona, after being awarded development contracts by HPD, also allegedly demanded kickbacks from general contractors in exchange for awarding them construction work on the HPD-funded projects. In one instance, in an attempt to disguise over \$100,000 in kickback payments they received from John Doe #1, real estate attorneys Hymowitz and Freeman issued a sham legal retainer agreement to John Doe #1. In exchange for hiring John Doe #1 on another HPD project in Brooklyn, Benitez demanded that John Doe #1 kick back a percentage of the payments he received from HPD. In yet another project, Dunn allegedly demanded, with Walters' knowledge, kickbacks from another general contractor and real estate developer, identified in the indictment as “John Doe #2”, in exchange for work on an HPD project overseen by Walters. According to the indictment, Dunn allegedly resorted to violent threats to collect the money from John Doe #2.

“New Yorkers relied on these defendants for the safe haven of affordable housing. Instead, the defendants allegedly put their own greed over the needs of low-, moderate- and middle-income New Yorkers. As detailed in the government's indictment and other court filings, the defendants corruptly lined their own pockets by stealing millions of dollars in public funds dedicated to affordable housing,” stated United States Attorney Lynch. “In doing so, they undermined HPD's mission and cheated the taxpayers, who ultimately fund that mission.” Ms.

Lynch praised the FBI, DOL, DOI, IRS and HUD, and the Organized Crime and Gang Section of the Justice Department's Criminal Division, for their exceptional and collaborative investigative efforts in this long-term investigation.

FBI Assistant Director-in-Charge Fedarcyk stated, "This scheme involved, among others, a public official and two attorneys, people with an ethical duty to avoid even the appearance of impropriety. As alleged, these defendants went way beyond that. They engaged in collusive criminal conduct that enriched them and victimized taxpayers."

DOL Special Agent-in-Charge Panella stated, "Today's indictment is a result of a law enforcement collaboration aimed at rooting out alleged corruption in the New York City Department of Housing Preservation and Development and federally funded projects. We will continue to work proactively with our law enforcement partners to investigate these types of crimes."

DOI Commissioner Gill Hearn stated, "These defendants saddled the City's affordable housing program with a criminal pay-to-play scheme, lining their pockets at the public's expense, the indictment charges. Most troubling is that a veteran City housing official allegedly misused his position of trust to collect hundreds of thousands in payoffs. DOI worked hand-in-hand with our federal partners to penetrate, expose and stop this insidious abuse of the City's efforts to develop housing for hard-working New Yorkers. The investigation continues, and DOI will work with HPD to close the gaps that allowed the corruption to take root."

IRS Special Agent-in-Charge Pine stated, "Money laundering is often part of a larger investigation of financial fraud, including kickbacks and bribes. Internal Revenue Service Special Agents are well trained in dealing with traditional as well as new and innovative ways individuals attempt to hide illegally obtained money. It is just a matter of time before the schemes are uncovered and the individuals involved brought to justice."

HUD/OIG Acting Special Agent-in-Charge Chan stated, "The indictment of these individuals is an example of HUD/OIG's commitment to investigate those who allegedly take advantage and defraud the HUD programs. This joint prosecutorial effort demonstrates our continued dedication to combat fraud with our law enforcement partners to bring those who are responsible to justice."

If convicted of the most serious offenses, each defendant faces a maximum of 20 years' imprisonment. The government will also seek to forfeit at least \$22 million in proceeds that the defendants received as a result of their schemes.

The government's case is being prosecuted by Assistant United States Attorneys Cristina Posa, Anthony Capozzolo and Claire Kedeshian.

The Defendants:

WENDELL WALTERS

Age: 49

STEVENSON DUNN

Age: 50

LEE HYMOWITZ

Age: 60

MICHAEL FREEMAN

Age: 64

SERGIO BENITEZ

Age: 51

ROBERT MORALES

Age: 52

ANGEL VILLALONA

Age: 52