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FORMER NEW YORK CITY COUNCIL MEMBER  
PLEADS GUILTY TO FEDERAL FRAUD AND  
MONEY LAUNDERING CHARGES

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), announced that former New York City Council Member MIGUEL MARTINEZ pleaded guilty today in Manhattan federal court to fraud and money laundering charges in connection with his submission to the City of false invoices and his diversion of funds from non-profit organizations that resulted in over \$100,000 for his own benefit. MARTINEZ pleaded guilty to one count each of conspiracy to commit honest services fraud, mail fraud, and conspiracy to commit money laundering, contained in an Information filed today in Manhattan federal court.

According to the Information as well as statements made during today's guilty plea proceeding before United States District Judge PAUL A. CROTTY:

From 2002 to 2009, MARTINEZ served as a member of the New York City Council representing New York City's 10th Council District in Manhattan. Among other things, MARTINEZ's official duties included approving expenses to be paid from his Council office expense budget; designating non-profit organizations to receive New York City Council discretionary funding; and acting as a public advocate on behalf of constituents and others.

MARTINEZ was allocated an annual Council office expense budget, in an amount ranging from approximately \$112,000 to \$135,000 per year. To obtain reimbursement for Council office



expenses, MARTINEZ submitted invoices for the expenses to the City. From October 2002 through May 2008, MARTINEZ, in concert with others, created, approved, and submitted fictitious invoices to the City for payment. For example, some invoices falsely claimed that a particular vendor had performed a variety of services for MARTINEZ's Council office, including media outreach, organization of constituent workshops, and staff development consultations, when in fact, the vendor had not provided such services. Vendors who received payment on the fictitious invoices returned approximately \$51,000 of the payments to MARTINEZ for his personal benefit.

In addition, since at least 2003 MARTINEZ has been the principal sponsor for the Washington Heights Arts Center. Since that time, the City of New York has provided the majority of the Arts Center's funding, amounting to at least \$163,000 through 2005. Funds allocated by MARTINEZ were intended to pay for services for the Washington Heights community, including tutoring for children, art classes, and after-school programs. From 2003 to 2005, a co-conspirator of MARTINEZ was a signatory on the Arts Center's bank account. During that time, at MARTINEZ's direction, the co-conspirator provided approximately \$15,000 from the Arts Center's bank account to MARTINEZ for his personal benefit.

Finally, during 2004 and 2005 the New York City Housing Development Corporation ("HDC") lent a particular developer approximately \$35 million so the developer could construct four low-income housing developments in the 10th Council District and elsewhere in the Bronx. At the time, under applicable law, if the developer partnered with a local non-profit organization to sponsor a low-income housing development, the developer would be eligible to receive substantial tax benefits. MARTINEZ discussed with the developer the possibility that the Upper Manhattan Council Assisting Neighbors ("UCAN"), a non-profit organization, would associate with the developer on the projects for this purpose. In August 2004, at MARTINEZ's direction, the developer met with the co-conspirator previously referenced to discuss UCAN's association with the low-income housing projects. At that meeting, acting at MARTINEZ's direction, the conspirator instructed the developer to make a series of payments to UCAN, and from August 2004 to December 2005, the developer made approximately \$96,000 in such payments. Based in part on those payments, the developer was able to obtain millions of dollars in tax credits. Although each of the developer's checks were written to UCAN-related entities, the co-conspirator, at the MARTINEZ's direction, deposited the checks into other bank accounts. MARTINEZ ultimately received approximately \$40,000

from these other bank accounts for his personal benefit.

During the guilty plea proceeding, MARTINEZ stated, "[I] was able to engage in these schemes because I was a New York City Councilman."

MARTINEZ, 39, of New York, New York, faces a maximum sentence of 20 years in prison on each of the three counts to which he pleaded guilty. He is scheduled to be sentenced on October 21, 2009, at 2 p.m. by Judge CROTTY.

Mr. DASSIN praised the investigative work of DOI. He also thanked the New York City Campaign Finance Board and the U.S. Department of Housing and Urban Development, Office of Inspector General, for their assistance in the investigation.

The prosecution is being handled by the Office's Public Corruption Unit. Assistant United States Attorneys KATHERINE A. LEMIRE, GLEN A. KOPP, and BRENT S. WIBLE are in charge of the prosecution.

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