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August 9, 2010

The Honorable Zoe Lofgren, Chairman
The Honorable Jo Bonner, Ranking Republican Member
Committee on Standards of Official Conduct
HT-2, The Capitol
Washington, DC 20515

VIA FAX: 202-225-7392

Re: Request for an Additional Investigation by the Committee on Standards of Official Conduct into the Conduct of Charles Rangel (D-N.Y.) with Regard to his Activities Involving Funding of Alianza Dominicana

Dear Chairwoman Lofgren and Ranking Member Bonner:

The National Legal and Policy Center (NLPC) respectfully requests that the Committee on Standards of Official Conduct investigate Rep. Rangel's numerous official actions related to funding of Alianza Dominicana, a politically well-connected New York City non-profit, to determine whether his conduct may have violated the Code of Conduct for Government Service, the Code of Official Conduct, or any other law, rule, regulation, or standard of conduct applicable to the performance of official duties by a Member of Congress.

The basis for this request is a series of facts which have recently been brought to light regarding questionable taxpayer funding to Alianza Dominicana supported by Rep. Rangel despite a documented failure of the nonprofit to pay its taxes, meet its payroll and manage itself responsibly. Additionally, beneath the favoritism which is shown in Rep. Rangel's support of millions of dollars in taxpayer funds to the group – including a specific earmark promoted by the Congressman – there is a mosaic of cronyism which includes tens of thousands of dollars in political donations to Rangel's political committees by the nonprofit's major supporters, officers, and individuals whose firms are directly involved in building and financing of the group's new headquarters.

Previously, NLPC filed three complaints regarding Rep. Rangel with the Committee on Standards of Official Conduct. Many of the ethical and legal issues first raised by NLPC are now included in the Statement of Alleged Violation adopted by this committee's Investigative Subcommittee in the Matter of Representative Charles B. Rangel, as adopted on June 17, 2010.

Additionally, NLPC's original investigation of the corporation-sponsored Caribbean junket to St. Maarten involving Rep. Rangel and six other Members of Congress and subsequent letter to this Committee¹ led to the eight-month investigation which culminated in the statement released by the Committee on February 26, 2010.²

Background

Theodore Kheel: Benefactor to Rangel and Alianza Dominicana

NLPC's interest in Rangel's involvement with Alianza Dominicana began with the discovery by an NLPC attorney that Rangel's Punta Cana beach villa was an extension of his relationship with multimillionaire New York lawyer Theodore Kheel. Rangel's modest investment in the Punta Cana villa directly on the Caribbean beach produced tens of thousands of dollars in off-the-books income for the Congressman.

By any objective yardstick, Kheel has to be considered one of Rangel's major benefactors:

- Kheel and his family have donated well over \$60,000 to Rangel's political committees over the years according to Federal Election Commission records.³
- Kheel named Rangel as chairman of a foundation, the Ann S. Kheel Trust Charitable Trust, which subsequently made a six-figure grant to the City College of New York on June 3, 2005.⁴ The month before that grant, Rangel had sent letters on House of Representatives letterhead to the co-trustees of the Kheel Trust describing the proposed Rangel Center as a "promising development" despite the Kheel Trust's prohibition against self-dealing.⁵
- Kheel was the founder and a major owner in the Punta Cana resort area of the Dominican Republic in which Rangel's beachfront villa was located. Rangel failed to report accurately both his income from the rental of his beach villa on federal tax returns and financial disclosure reports as well as the fact that Punta Cana had decided to forgive remaining interest on Rangel's mortgage for his villa.⁶

¹ NLPC President Peter Flaherty, Letter to the Committee on Standards of Official Conduct, "Request for an Investigation of Rep. Charles Rangel (D-NY), Donald Payne (D-NJ), Sheila Jackson-Lee (D-TX), Carolyn Cheeks Kilpatrick (D-MI), Bennie Thompson (D-MS), and Donna Christensen (D-VI)," May 29, 2009.

² Statement of the Chair and Ranking Republican Member of the Committee on Standards of Official Conduct regarding its report on the matter of the Carib News Foundation multi-national business conferences in 2007 and 2008, February 26, 2010.

³ www.fec.gov

⁴ Statement of Alleged Violation, Committee on Standards of Official Conduct Investigative Subcommittee, adopted June 17, 2010, at paragraph 19.

⁵ Op cit at paragraphs 11 and 12.

⁶ Op cit at paragraphs 124, 125, 128, 129, and 130.

Mr. Kheel was also a major financial supporter of Alianza Dominicana, a politically well-connected non-profit which receives much of its funds from taxpayers, often with the help of its political allies. Through the Task Foundation chaired by Kheel and with his family holding all director and officer positions, Kheel had donated \$25,000 to Alianza Dominicana in both 2006 and 2007. In 2006, both Mr. Kheel and designer Oscar de la Renta were formally honored at the annual gala sponsored by Alianza Dominicana. Mr. de la Renta is a longtime business associate of Mr. Kheel in that both have financial stakes in Punta Cana.

Rep. Rangel: Benefactor to one of his benefactor's major charities

Rep. Rangel has supported funding to Alianza Dominicana. Unlike his benefactor Mr. Kheel who used his own foundation's funds, Rep Rangel has directed taxpayer funds in the form of an earmark to Alianza Dominicana. For Fiscal year 2010, Rangel sponsored a \$250,000 earmark to Alianza as part of the Transportation-Housing and Urban Affairs appropriations bill.⁷

The earmark was controversial and was singled out by Rep. Jeff Flake (R-AZ) for elimination:

**2009 CQ House Vote 629
Fiscal 2010 Transportation-HUD Appropriations- Triangle Building
by Alianza Dominicana in New York.**

Flake, R-Ariz, amendment that would bar the use of funds appropriated in the bill for the construction of the Triangle Building by Alianza Dominicana in New York. It would reduce funds in the bill by \$250,000.

CQ Floor Votes, 111th Congress (7/23/2009)

The proposed amendment by Rep. Flake was rejected by a vote largely along partisan lines.

Rep. Rangel also supported Alianza Dominicana with a contribution of \$5,000 from his political action committee on October 24, 2007.

Rangel's greatest financial support of Alianza Dominicana came from a series of multimillion-dollar grants, loans and/or loan guarantees through the New York Empowerment Zone. All of that funding derived from taxpayer funds and is detailed later in the complaint.

⁷ *Congressional Record*, Department of Housing and Urban Affairs Congressionally Directed Spending Items, December 9, 2009, page H13801.

Alianza Dominicana: Politically Well-Connected and Dependent on Taxpayer Funds

Any reading of news accounts regarding Alianza Dominicana since its founding finds two recurring themes: it has been considered a political force with very close ties to New York City Democrat politicians and much of its revenue comes from taxpayer funds, often with the help of elected officials who must run in the parts of New York City where the nonprofit is active.

One way the group has asserted itself is in targeted voter registration drives. Consider this statement from the web site of the activist group, the New York Immigration Coalition:

“A co-sponsor of the New York Immigration Coalition’s 200,000 in 2000 campaign, Alianza Dominicana worked with nearly 4,000 immigrant voters in preparation for the 2000 elections, informing them and mobilizing them to turn out and vote their interests in the election. Alianza also organized over 100 youth leaders the summer of 2003 to register over 5,000 new voters before NYC’s City Council elections that fall.”⁸

Alianza Dominicana appears to be in the tradition of New York City’s Boss Tweed and Tammany Hall, which has been summed up as follows:

“Tammany Hall’s electoral base lay predominantly with New York’s burgeoning immigrant constituency, which often exchanged political support for Tammany Hall’s patronage.”⁹

An excellent 2002 article by reporter Jordan Rau examined the political course of Alianza Dominicana, looking at the actions of Rafael Lantigua, the group’s founder and Moises Perez, its longtime executive director:

“In 1989, Lantigua and Perez ramped up their political activism by backing the candidacy of David Dinkins, the Manhattan borough president seeking to become New York City’s first black mayor. After Dinkins’ election, Lantigua headed his transition team.

Soon, Alianza began winning more city grants, including \$1 million for a drug treatment program for mothers.”¹⁰

The year prior to the Jordan Rau article just cited, Alianza received \$6.9 million from government sources which represented 78% of the group’s budget.

Alianza Dominicana’s close association with New York City Democratic Party politics is also reflected in its board which has included several elected officials.

⁸ <http://www.thenyic.org/templates/documentFinder.asp?did=62>

⁹ http://en.wikipedia.org/wiki/Tammany_Hall

¹⁰ Jordan Rau, “The Dominican Factor, Group struggles with political growing pains,” *Newsday*, August 26, 2002.

The role that Alianza Dominicana plays in New York City politics is hardly a secret. A recent article in *The New York Sun* described how city council members interested in running citywide have been allocating their “member item” money (the New York City version of earmarking) to organizations miles away from their council districts.¹¹

The article cited funding to Alianza Dominicana as a specific example of the trend in using member items to gin up political support:

“A council member of Brooklyn, David Yassky, co-sponsored a \$25,000 payment to Alianza Dominicana, a Dominican cultural center in the Washington Heights neighborhood of Manhattan.”¹²

Alianza Dominicana: “Chaotic Nonprofit” with “Dubious Finances”

The headline on the front page of the Sunday, August 8, 2010 *New York Post* was blunt:

FUNDER STORM: Rangel gave taxpayer money to shaky charity

The exclusive story continued inside on a full page.¹³ It described how Rep. Rangel helped get a \$2.6 million grant to Alianza Dominicana despite the group’s history of dubious finances.

Rangel sits on the board of the New York Empowerment Zone, a federally funded entity which Rangel helped bring into existence and on which he exerts considerable influence. A related subsidiary group, the Upper Manhattan Empowerment Zone, had approved the funding and it went to the NY Empowerment Zone for further approval. Rangel and the board approved the \$2.6 million grant to Alianza on June 29, 2010 just a short time before the Investigative Subcommittee of the Committee on Standards of Official Conduct released their Statement of Alleged Violation to the public. The money is to go to the nonprofit’s new \$19 million headquarters.

The article goes on to describe how the new headquarters had already taken out two mortgages for construction with the \$5.3 million in mortgages guaranteed by the Upper Manhattan Empowerment Zone which had also given the group a \$2.7 million loan in 2008. The new \$2.6 million approved by Rangel was to build out the interior.

One of the zone’s financial executives refused to approve the \$2.6 million deal on account of Alianza Dominicana’s dubious financial state. He left over the controversial grant.

¹¹ Grace Rauh, “For Those Running for Citywide Office, Member Item Money Flows Outside Council Districts,” *The New York Sun*, May 13, 2008, page 1.

¹² Op cit

¹³ Isabel Vincent and Melissa Klein, “Funder Storm: Rangel gave taxpayer money to shaky charity,” *The New York Post*, Sunday, August 8, 2010, page 1.

The details as to the nonprofit's finances readily show why the financial executive may have balked at providing \$2.6 million in taxpayer funds to Alianza:

- Alianza owed \$526,000 in back wages to 200 workers last month according to the New York State Labor Department. "Alianza - which pays \$150,000 to its CEO Moises Perez – said it stiffed its employees because its funding was sporadic. It has since paid about \$268,000 of what it owed."
- "A landlord threatened to kick the group out of its old building for not paying hundreds of thousands in rent."
- Public records show that during the last few years Alianza has owed money to the IRS, building suppliers and the state Insurance Fund.
- Alianza had a huge accounting bill of \$914,671 in 2009.
- Alianza's CEO, Moises Perez, receives \$150,000 a year, works 35 hours a week and has been a major donor to Rep. Rangel's campaign

Upper Manhattan Empowerment Zone and New York Empowerment Zone: Were corners cut in dispensing so much funding to Alianza Dominicana?

These two entities were undeniably heavily influenced by Rep. Rangel.

The Upper Manhattan Empowerment Zone (UMEZ) had already guaranteed \$5.3 million in lending to construct the 48,000 square foot building for Alianza Dominicana.

UMEZ had also provided a \$2.7 million loan to Alianza Dominicana in 2008.

The June 2010 grant for \$2.6 million that had provoked so much behind the scenes concern and was rammed through, over the objections of a key financial officer, raises an important issue: were ethical, legal and financial corners cut in the financial support given by UMEZ to Alianza Dominicana?

Even a cursory look at the facts shows how dubious this nonprofit's finances were.

Consider the math: the taxpayer-funded UMEZ was on the hook in loan guarantees, a loan and an outright grant for over \$10 million for the Alianza Dominicana project. The new building costs \$19 million so the \$10 million from UMEZ would appear to be a disproportionate share.

Like many granting organizations, UMEZ reviews a variety of factors in determining whether to financially assist a nonprofit. The "Funding Strategy" on the UMEZ specifically notes that "sound finances" is a factor.¹⁴

¹⁴ Upper Manhattan Empowerment Zone Development Corporation at www.umez.org.

But Alianza Dominicana has been so plagued with financial troubles in recent years, it is difficult to see how UMEZ could possibly consider Alianza Dominicana qualified.

A nonprofit with tens of thousands of dollars in New York State tax judgments against it as well as judgments or liens from the Internal Revenue Service, creditors and others can hardly be said to have “sound finances.” The more than \$900,000 spent on accounting services in one year is also a red flag. Add to that the several hundred thousand dollars it has owed its own staff and Alianza Dominicana appears to be a financial train wreck.

And hardly a good credit risk in building a new 48,000 square foot, \$19 million building in Manhattan.

Rep. Rangel Cashes In: Alianza Dominicana’s Supporters, Officers, Contractor Banker et al. show their gratitude for Rangel’s support

While no one in the Alianza community provided more to Rangel than Kheel with his family’s more than \$60,000 to Rangel’s political committees, his Punta Cana villa deal which provided tens of thousands in off-the-books personal income to Rangel and his foundation’s more than \$400,000 donation to CCNY at the time the Rangel Center at CCNY was being promoted, others did what they could.

Rafael Lantigua, the nonprofit’s chairman donated to Rangel’s campaign committee as well as his leadership political action committee:

National Leadership PAC	\$500	8/22/06
	\$300	8/9/02
Rangel for Congress	\$500	9/29/07
	\$500	3/1/08

Moises Perez, the nonprofit’s executive director, also ponied up:

National Leadership PAC	\$500	9/30/03
	\$500	3/31/05
Rangel for Congress	\$1000	10/12/2000
	\$1000	8/22/2002

Moises Perez also showed his gratitude to Rep. Rangel by speaking out publicly for Rangel in November 2009 as the steady disclosure of corruption stories on Rangel was reaching its peak. Not only did Perez speak out for Rangel at a rally called for that purpose¹⁵, but his

¹⁵ Donna Lamb, “Leaders rally in support of Congressman Rangel,” *New York Beacon*, November 12 – 18, 2009, page 3.

speech was posted on YouTube.¹⁶ And for good measure, Perez rather questionably praised Rangel for all he has done for Punta Cana.

Just a month after Mr. Perez's speech of support for Mr. Rangel, the \$250,000 earmark for Alianza Dominicana sponsored by Rep. Rangel was passed.

Others who benefited directly from the taxpayer dollars Rangel showered on Alianza also opened their checkbooks.

The construction company building the \$19 million Alianza Dominicana headquarters was Ibex Construction. The CEO, Andras Frankl, and his wife each gave \$2400 to the Rangel Victory Fund on 3/12/2010.

Luis Canela, the President of BPD International Bank, the institution which was partially financing the construction wrote a check to Rangel for Congress for \$2400 on 6/30/2009. The BPD Bank deserves a closer look because of its closeness to Rangel, Punta Cana, and Kheel. This bank is based in the Dominican Republic and has offices in Punta Cana where it appears to be doing millions of dollars in banking business.¹⁷

As Punta Cana is a vast area of the Dominican Republic largely owned by Mr. Kheel and his associates in Grupo Punta Cana and its affiliated business entities, the bank appears to have extensive financial connections to Punta Cana. It goes without saying that the bank stood to benefit financially by Rep. Rangel promoting the pouring of millions in taxpayer dollars into Alianza Dominicana, especially with the extensive revelations by The New York Post as to how financially unstable the nonprofit appears to be. With the guarantees and direct grants to the nonprofit engineered by Rep. Rangel, the BPD Bank has far less risk for its financing of the shaky group. BPD Bank has been a major sponsor of Alianza Dominicana fund raising galas.

Issues

The facts just presented regarding the actions of Rep. Rangel affecting Alianza Dominicana represent a tapestry of favoritism which is expressly prohibited by the Code of Ethics for Government Service (72 Stat., Part 2, B12, H. Res. 175, 85th Congress) (adopted July 11, 1958) which provides:

[A]ny person in Government service should:

...

5. Never discriminate unfairly by the dispensing of special favors or privileges to anyone, whether for remuneration or not; and never accept for himself or his family, favors or benefits under circumstances which might be construed by reasonable person as influencing the performance of his governmental duties.

¹⁶ <http://www.youtube.com/watch?v=5oi-SMzBWYs>

¹⁷ "Dominican Republic: Nouvelles Frontieres opens USD 30 million hotel," Listin Diario, December 14, 2009. Story recounts that a French tour company is opening a \$30 million hotel in Punta Cana with financing from BPD Bank.

The fact that this standard is not a House rule or federal statute does not preclude action from being taken on this matter by the Committee on Standards of Official Conduct.

With respect to the Code of Ethics for Government Services, the House Ethics Manual states:

This Committee has concluded, however, that the ethical precepts set forth in this code “represent continuing traditional standards of ethical conduct to be observed by Members of the House at all times.”¹⁸

Formal charges may be brought against Members of the House for violating this code.¹⁹

The facts in this matter closely relate to facts established by the Investigative Subcommittee in the Matter of Representative Charles B. Rangel’s Statement of Alleged Violation adopted on June 17, 2010.

Begin with Rep. Rangel’s off-the-books income flowing from the Punta Cana beach villa purchased from Mr. Rangel’s major benefactor Theodore Kheel.

The Statement of Violation discloses:

- Rangel failed to properly disclose personal rental income from his Punta Cana beach villa on his original Financial Disclosure Reports for the years 2001 through 2005²⁰
- Rangel failed to report any rental income from Punta Cana on his original Federal income tax returns for calendar years between 1998 and 2006²¹
- Rangel failed to report the forgiveness of interest on his Financial Disclosure statements²²

Considering the Kheel family donations of more than \$60,000 to Rangel’s political committees, the appointment of Rangel as Chairman of the Ann Kheel Charitable Trust (allowing a mid-six-figure donation to CCNY at the time the Rangel Center at CCNY was being organized) and the outside rental income from the Punta Cana investment, and any reasonable person would conclude that Rangel had indeed been a major beneficiary from his relationship with Mr. Kheel.

¹⁸ H. Rep. 94-1364, *supra* note 13, at 3.

¹⁹ House Ethics Manual, 110th Congress, 2d Session, 2008 edition, at page 20.

²⁰ Statement of Alleged Violation, Committee on Standards of Official Conduct Investigative Subcommittee, adopted June 17, 2010, at paragraph 133.

²¹ Statement of Alleged Violation, Committee on Standards of Official Conduct Investigative Subcommittee, adopted June 17, 2010, at paragraph 129.

²² Statement of Alleged Violation, Committee on Standards of Official Conduct Investigative Subcommittee, adopted June 17, 2010, at paragraph 125.

Following the honoring of Mr. Kheel by Alianza Dominicana in 2006 and the contributions of \$25,000 in 2006 and 2007, Mr. Rangel's generosity – largely with taxpayer funds – to Alianza Dominicana went into overdrive. He arranged for a controversial \$250,000 earmark in 2009 for the group's new building. He used his enormous influence with the Upper Manhattan Empowerment Zone Development Corporation to help get the group \$5.3 million in loan guarantees, a \$2.7 million loan and an outright grant of \$2.6 million in 2006 – over the determined opposition of at least one senior financial executive in the granting group.

This generosity to a favorite charity of his benefactor on its face discriminates unfairly in the dispensation of special favors and privileges. While Mr. Rangel may argue that he received no direct remuneration for these favors with taxpayer funds, the language of the cited section of the Code of Ethics for Government Service clearly prohibits the unfair discrimination in the dispensing of special favors “whether for remuneration or not,”

What distinguishes these facts from a more typical trading of government service for political support is the fact that the actions of Mr. Rangel in the UMEZ funding and the earmark very specifically benefit Alianza Dominicana.

What makes the case more damaging is the fact that Rangel also benefited from tens of thousands of dollars in contributions from Alianza Dominicana's supporters, staff, board, contractor and lender – all during the period in which the financially unstable nonprofit was scrambling for funding while avoiding its creditors, stiffing the tax collector and failing to pay its own staff.

It is hard to imagine a more compelling set of circumstances in which taxpayer funds should not be used.

The heavily politicized nature of Alianza Dominicana's operations – not the least of which was the organized rally to defend Mr. Rangel against voluminous corruption charges just weeks before the \$250,000 earmark for the nonprofit passes – strongly suggests that Mr. Rangel's official favors to the nonprofit had much to do with politics and gratitude to a benefactor and almost nothing to do with any possible argument that the taxpayers were well-served by pouring millions of their hard-earned dollars into an obviously politicized, financially mismanaged nonprofit.

I urge the Committee to undertake a full examination of the facts set forth in this letter.

Sincerely,



Kenneth F. Boehm
Chairman