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Report: Forest City Enterprises Profits Despite Legal Violations

Cause of Action calls on Congress to investigate Forest City Enterprises and lax oversight at USCIS, DOJ

WASHINGTON – [Cause of Action](#) (CoA), a government accountability organization, today released “*Unfair Enrichment: How Forest City Enterprises Acts Above the Law*,” the third and final installment of the three-part investigation, “*Political Profiteering: How Forest City Enterprises Makes Private Profits at the Expense of America’s Taxpayers*,” exposing how New York State manipulated census data to benefit Forest City Enterprises’ (FCE) New York subsidiary Forest City Ratner (FCR) and the New York City Regional Center (NYCRC). With this data, FCR and the NYCRC enticed foreign investors into a cash-for-visas program, all while downplaying the risk of investment and exaggerating job creation predictions. Further, the Department of Justice (DOJ) failed to prosecute FCR executives who bribed city council members to approve another FCR development in project in Yonkers, N.Y.

CoA’s nearly two-year investigation found that executives of FCR played illicit roles in the 2005-2006 bribery scandal that resulted in the federal conviction of two local politicians in Yonkers, N.Y. for securing approval for FCR’s Ridge Hill development project. The DOJ failed to prosecute, despite being alerted by a 2010 letter from Ranking Member of the House Committee on Oversight and Government Reform Darrell Issa (R-CA) and Ranking Member of the House Judiciary Committee Lamar Smith (R-TX) that raised concerns that “political favoritism” guided the DOJ’s decision “not to pursue legal charges against Forest City Ratner and its employees.”

Dan Epstein, Cause of Action’s executive director commented:

“Our investigation uncovered that not only did FCR violate the law and engage in political profiteering, but the DOJ turned a blind eye to FCR’s criminal activity while the USCIS failed to hold New York State accountable. We can’t rely on these federal agencies to properly apply their own rules and protect the interests of taxpayers, which is why Congress should intervene and investigate these practices.”

Findings from the report include:

- The New York Department of Labor (NYDOL) and the Empire State Development Corporation (ESDC) manipulated census data in order to create a “targeted employment area” (TEA) for the New York City Regional Center (NYRC) and FCR in violation of U.S. Citizenship & Immigration Services (USCIS) regulations.
- FCR and NYRC, with the cooperation of New York state elected officials, misleadingly advertised the Atlantic Yards Project to potential investors by keeping the actual purpose of EB-5 funding ambiguous and exaggerating job creation predictions. EB-5 investors were also misled as to the risk of their investing in the Atlantic Yards project—a potential Federal securities violation.
- The DOJ failed to prosecute FCR executives who bribed Yonkers City Council Member Sandi Annabi. FCR executives covered up payments to Yonkers Republican Party Chairman Zehy Jereis under the guise of a consulting contract for “retail hunting” in order to protect themselves from

federal criminal liability when, in fact, Jereis's consulting contract was in exchange for Annabi's vote approving FCR's Ridge Hill Project.

- FCE defended and benefited from eminent domain seizures for private development in California and New York, and spent a combined \$350,000 on California ballot initiatives in 2006 and 2008 to back sweeping eminent domain measures to benefit private developers.

In light of these findings, CoA wrote to Chairman Issa of the House Oversight and Government Reform Committee urging the committee to examine USCUS' treatment of states' TEA designations and determine whether undue political influence affected DOJ's decision not to prosecute FCE.

To access our letter, click [here](#).

To access *Unfair Enrichment: How Forest City Enterprises Acts Above the Law*, click [here](#).

To access parts one and two of the investigation, [click here](#).

About Cause of Action:

Cause of Action is a non-profit, nonpartisan government accountability organization that fights to protect economic opportunity when federal regulations, spending and cronyism threaten it. For more information, visit www.causeofaction.org.

To schedule an interview with Cause of Action's Executive Director Dan Epstein, contact Mary Beth Hutchins, mary.beth.hutchins@causeofaction.org or Jamie Morris, jamie.morris@causeofaction.org.

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