

Money talks —



— and delivers

WinnCompanies has a history of giving big to politicians—and winning big when it comes to state and federal funding for its development projects.

BY PAUL MCMORROW | PHOTOGRAPHS BY MEGHAN MOORE

UNTIL HIS ARREST LAST YEAR, few Bostonians had heard of Martin Raffol. Many more people, however, had probably heard of his boss, Arthur Winn—one of the state’s most prolific affordable housing developers, the businessman behind the failed Columbus Center development, and a highly public business figure who had become entangled with Dianne Wilkerson, the disgraced former state senator.

Raffol’s arraignment last September shined an unflattering light on Winn’s prolific campaign fundraising organization. Federal prosecutors hauled Raffol into the Moakley Courthouse and alleged that the Natick resident illegally funneled \$44,000 to Bay State politicians, including \$12,000 spread among US Reps. Stephen Lynch, Barney Frank, Michael Capuano, and William Delahunt. Raffol quickly pleaded guilty to a concealment scheme in connection with the campaign finance violations, and to witness tampering. He was freed on \$100,000 bail and awaits sentencing in March.

On its face, the Martin Raffol case is about Raffol, and Raffol only: The politicians who took the \$44,000 in campaign contribu-

Winn is transforming this former Mission Hill pickle factory into affordable lofts using \$8.5 million in public funds.



tions had no idea the cash was dirty, and federal court filings repeatedly state that a senior WinnCompanies executive (widely believed to be Arthur Winn) had no knowledge of the methodical scheme Raffol ran for funneling money into the hands of unwitting politicians.

But the voluminous court filings connected to Raffol's guilty plea pulled back the covers on the inner workings, and bottom-line benefits, of the WinnCompanies' legitimate fundraising operation. The real story these filings describe of Winn's relationship with politics isn't so much a tale of corruption as it is the story of a savvy, disciplined, and expansive political organization that considers campaign contributions as just another part of doing business.

A review of public data, including campaign finance and lobbying data from regulators in Massachusetts and Washington, DC, shows that the WinnCompanies has played politics harder than virtually any of its competitors. The company has also reaped some of the biggest rewards. That's a critical point, since much of the WinnCompanies' business is built on an array of discretionary subsidies and other public aid not awarded based on a strict formula.

Since 2002, Beacon Hill and Capitol Hill campaign contributions and lobbying expenditures directly related to Winn have exceeded \$2 million. That's far more than other developers active in Massachusetts. The \$1.1 million Winn affiliates spent on campaign contributions and lobbying at the state level blows away Winn's competitors in the state's affordable housing development arena; its closest competitor shelled out \$88,000.

Prosecutors in the Raffol case described the Winn-

Companies' political activities as a way of advancing the developer's business interests and winning development subsidies. The development firm strongly denies this charge, and believes that, if anything, it hasn't been awarded enough subsidies. But the fact remains that, for more than a decade, none of Winn's competitors have come close to matching the level of development subsidies that the company has received.

LESS EQUITY NEEDED

The Boston-based WinnCompanies, the parent firm of a set of three companies involved in various real estate activities, is both a developer and manager of housing. For decades, Winn's bread and butter has been subsidized housing. Winn's residential arm currently manages 73,000 rental units across more than 20 states, and it has a sizable military housing presence. Many of the housing communities it owns or manages depend on some level of federal housing subsidies, federally-backstopped debt, or state-issued affordable housing debt.

The struggles of Columbus Center, the \$800 million construction project that was to have spanned the Massachusetts Turnpike between the South End and the Back Bay, earned the Winn development team much public notoriety. The luxury condominium and hotel project was outside the company's normal strike zone, though. Winn's recent local development projects have been much smaller than the ambitious Columbus Center undertaking; unlike the failed Turnpike project, they've also been the types of projects that qualify for affordable housing sub-



Winn financed the redevelopment of the former Boott cotton mill in Lowell with loans from MassHousing and the city, and with historic and low-income housing tax credits.

sidies, historic rehabilitation tax credits, or both.

In downtown Worcester, sitting in the shadow of Interstate 290, there's an old mill building that has seen better days. A century ago, when Worcester was an industrial hub, the four-story brick complex was an envelope factory. That business faded in the 1970s, and eventually a furniture manufacturer moved in. When the property hit the market a few years ago, two-thirds of the Water Street mill's square footage sat idle, and several windows had been boarded up.

The mill had its location working for it, though. It was

the dramatic impact various pools of public subsidies have on Winn's development projects. Half of the project's apartments will be set aside as affordable housing units. Because affordable housing restrictions necessarily limit developers' potential profits, federal and state policymakers have put a number of subsidies in play to encourage affordable development.

The Canal Lofts development is a \$25.3 million project. Winn is borrowing \$16.3 million from a pair of banks, and another \$3.3 million in long-term, low-to-no-interest affordable housing loans from various public agencies.



A company spokesman said most political donations were made at a candidate's request, and Arthur Winn, left, rarely said no.

a quick walk from Worcester's train station, and it stood in a neighborhood city officials were trying to fill with new restaurants and residences. The WinnCompanies saw potential, put the mill under agreement, and got the site permitted for the construction of 64 apartments. In June, Winn paid \$2 million for the building and a parking lot across the street.

The Canal Lofts, as Winn dubbed the project, illustrates

That would leave the developer on the hook for the remaining \$5.7 million in development costs. But at Canal Lofts, Winn is tapping \$2.2 million in state historic tax credits, \$2.5 million in state low-income housing tax credits, and another \$711,000 in federal low-income housing tax credits. Taken together, the credits lower the amount of cash Winn has to put into the development from \$5.7 million to \$314,000.



Winn transformed Loft 27, a busted condo project in Lowell, into a successful affordable rental project.

Winn's other recent affordable housing developments have required much larger cash injections than the \$314,000 the company is putting into the Canal Lofts. But in every example, the subsidies have dramatically lowered the amount of equity Winn has at stake. And the less equity a developer has in a deal, the greater the potential for profit.

BIG DONOR AND LOBBYIST

Federal prosecutors in the Raffol case have drawn a strong connection between the WinnCompanies' political activities and its subsidized development business. Court filings repeatedly claim the WinnCompanies operated in a hyper-political manner, and did so as a way of creating a more favorable environment for its subsidized businesses.

Alan Eisner, a spokesman for Arthur Winn and for the WinnCompanies, said Winn and his executive team have never approached a politician to offer a political contribution, and that "the vast majority of political contributions were made at the request of a candidate or candidate's committee." While allowing that Arthur Winn "very rarely" turned down requests for political contributions, Eisner flatly rejected prosecutors' claims that contributions were made in an effort to obtain political support for real estate projects, calling that allegation "incorrect, illogical, and, quite frankly, preposter-

ous." Eisner also argued that, "if the public system could allocate subsidies on the basis of merit, WinnCompanies would receive substantially more funding that it currently receives."

Nevertheless, data from the Massachusetts Office of Campaign and Political Finance, the Federal Elections Commission, the Massachusetts Secretary of State's office, and the Secretary of the US Senate show that the WinnCompanies is among the most politically active developers in the state. It is also tops among developers of affordable housing. In fact, nobody else comes close.

Winn affiliates have spent \$1.1 million on campaign contributions and lobbying in Massachusetts since 2002.

Since 2002, Winn employees and their spouses have given more than \$198,000 to state and local candidates. They've also given \$305,400 to federal candidates from the Bay State since 1997. Top recipients of Winn fundraising include Lynch (\$36,000), the Massachusetts Republican State Committee (\$28,500), newly-elected state Sen. Barry Finegold (\$23,000), Secretary of State William Galvin

(\$20,600), Boston City Councilor Steve Murphy (\$20,000), former Lt. Gov. Kerry Healey (\$19,000), US Rep. Niki Tsongas (\$19,000), state Sen. Brian Joyce (\$17,500), US Rep. Barney Frank (\$13,000), and Wilkerson (\$12,000).

During the same time period that Winn employees gave \$198,000 to state and local candidates, Trinity Financial donated \$61,000. Beacon Communities, another leading affordable housing developer, donated \$20,000. Boston Capital, the nation's single-biggest owner of apartments, gave \$73,000.

The WinnCompanies didn't just out-donate affordable housing specialists. The company also out-donated many politically active developers, contractors, and property managers, including the Beal Companies (\$168,000), Suffolk Construction (\$126,000), Jay Cashman Inc. (\$112,000), John M. Corcoran Company (\$102,000), New England Development (\$43,000), Samuels and Associates (\$43,000), Peabody Properties (\$37,000), Boston Properties (\$30,000), the Druker Company (\$26,000), and Maloney Properties (\$24,000).

When donations from Arthur Winn's family members are accounted for, the firm's state and local contributions jump to more than \$233,000. Those donations often went to candidates Winn and other senior management contributed to. That's because Arthur Winn would agree to raise specific amounts of money for certain politicians, and Winn "would often ask friends and family to contribute to politicians he supported," said Eisner, the Winn spokesman. Eisner said Arthur Winn "assumes they contributed out of regard for him and/or the politician."

Additionally, the company has spent more than \$1.5 million lobbying federal and state policymakers in recent years. That activity outpaces nearly every other Massachusetts developer. And it puts the WinnCompanies far ahead of the state's other affordable housing developers.

Winn's \$925,500 in state lobbying expenditures since 2002 ranks the firm near the top of the heap of developers and property managers. The firm spent slightly less than the Roseland Property Company's \$1 million lobbying outlay, but it also spent far more on lobbying than Cabot, Cabot & Forbes (\$500,000), Federal Realty (\$385,000), and the LNR Property Company (\$276,000)—firms that lobbied heavily to obtain significant infrastructure aid for multibillion-dollar development projects.

Notably, Winn was the only big spender on lobbying that was also a top political fundraiser. Roseland coupled its million-dollar lobbying effort with just \$12,800 in campaign donations, for example. And of the local developers who do high volumes of work in the affordable housing arena, just one, Beacon Communities, paid a lobbyist at all. Beacon's lobbying tab came to \$68,000.

The great majority of Winn's lobbying effort at the state level has been geared toward its development busi-

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TALE OF THE TAPE: HOW WINN STACKS UP AGAINST THE STATE'S OTHER TOP AFFORDABLE HOUSING DEVELOPERS

DEVELOPER	MASSACHUSETTS CONTRIBUTIONS	FEDERAL CONTRIBUTIONS	TOTAL CAMPAIGN CONTRIBUTIONS	MASSACHUSETTS LOBBYING
WINN	\$198,000	\$305,400	\$503,400	\$925,505
TRINITY FINANCIAL	\$ 61,136	\$22,700	\$83,836	—
BEACON COMMUNITIES	\$19,725	\$17,300	\$37,025	\$68,329
GATEHOUSE GROUP	\$ 4,500	\$18,300	\$22,800	—
EA FISH	\$16,550	\$40,750	\$57,300	—
THE COMMUNITY BUILDERS	\$4,645	\$4,650	\$9,295	—
NUESTRA CDC	\$2,475	\$300	\$2,775	0

Contributions for years 2002-2010; Housing tax credit data for years 1999-2010 SOURCE: MA Office of Campaign and Political Finance; MA Secretary of State's Office; MA Executive Office of Housing and Economic Development; Federal Election Commission; Secretary of the US Senate

ness. In 2008, for instance, it spent \$45,000 monitoring legislation affecting its affordable housing management business; it spent more than \$145,000 lobbying legislators and state officials on issues relating to Columbus Center and affordable development projects. That pattern has continued since Columbus Center's demise. Through mid-2010, the company had spent \$60,000 lobbying on development projects, versus \$13,333 spent monitoring broader housing legislation.

Disclosures filed to comply with the state's new ethics and lobbying rules also show senior Winn executives lobbying state officials to secure loans and grants for affordable housing developments.

Those efforts appear to have paid off: Winn development projects receive far greater levels of equity subsidies than their closest affordable housing competitors.

CommonWealth examined Winn's affordable housing developments because the success of those projects depends on financial subsidies. In particular, we focused on tax credits, which are discretionary awards that affect the amount of equity a developer puts into a given deal, rather than subsidized debt, which is handed out based on strict affordability thresholds.

Low-income housing tax credits are the most powerful mechanism for developing affordable housing. Other financing sources—grants and debt from public and private lenders—typically follow the credits. The credits, therefore, can make or break affordable housing deals. Credits involve federal and state funds, but are awarded by state housing officials. And since 1999, no developer has been awarded more low-income housing tax credits than Winn.

According to data from the state's Executive Office of Housing and Economic Development, Winn has received \$31.8 million in low-income housing tax credits since 1999, compared to Trinity Financial's \$29.8 million, and Beacon Communities' \$26 million. No other affordable developers in Massachusetts come close to those totals.

Winn separates itself from competitors with its success at layering other subsidies on top of its low-income housing tax credits. The firm has received \$29.8 million

Wilkerson unwittingly introduced an undercover FBI agent to vendors who were making illegal campaign donations.

in Massachusetts historic rehabilitation tax credits since 2004, compared to \$4.4 million for Trinity, and \$2.1 million for Beacon. Eight of the 10 Winn development projects receiving Massachusetts historic rehabilitation tax credits also received low-income housing tax credits. The state historic tax credits are administered by Secretary of State Galvin's office. They are incentives for developers to redevelop historic structures.

In recent years, Winn has layered historic tax credits on top of low-income housing tax credits in developments in Worcester, Lowell, Fall River, and Boston. In each of those cases, tax credits reduced Winn's own equity by roughly \$5 million. And in each case, the firm also availed itself of low-to-no-cost public debt.

FEDERAL LOBBYING	MASSACHUSETTS EXPENDITURES	TOTAL EXPENDITURES	HOUSING TAX CREDITS	MASSACHUSETTS HISTORIC CREDITS	TOTAL CREDITS
\$630,747	\$1,123,505	\$2,059,632	\$31,843,293	\$29,805,000	\$61,648,293
—	\$61,136	\$83,836	\$29,779,884	\$4,375,000	\$34,154,884
—	\$88,054	\$105,354	\$25,989,592	\$2,100,000	\$28,089,592
—	\$4,500	\$22,800	\$15,947,348	—	\$15,947,348
—	\$16,550	\$57,300	\$7,845,009	\$2,100,000	\$9,945,009
—	\$4,645	\$9,295	\$8,066,987	\$960,000	\$9,026,987
—	\$2,475	\$2,775	\$4,843,322	—	\$4,843,322

THE RAFFOL CASE

The WinnCompanies attracted federal agents’ attention in the first place because of Columbus Center, and because of Arthur Winn’s unusual relationship with Dianne Wilkerson. Wilkerson was a staunch supporter of the troubled Boston development project, which was to have been built in her district, and she repeatedly backed efforts to use millions of dollars in public resources to soften the project’s price tag.

Meanwhile, Arthur Winn, who has been a high-profile Boston developer and philanthropist for decades, took an interest in Wilkerson’s personal finances. He handed her a \$10,000 gift to help settle her tax debts, telling the *Boston Globe* the payment was a gift to a “close friend.” He also helped secure for the then-Roxbury state senator a \$15,000 contract to lecture at Curry College. (That position fell through. Federal prosecutors allege the contract amounted to a no-show job; Wilkerson’s attorney says the position disappeared because of her ongoing legal troubles. Regardless, John Keith, a Curry trustee and one of Winn’s top contractors, told a federal grand jury that Arthur Winn was trying to find “a job” and “extra work” for Wilkerson, because “in her annual expenses and income, there was a \$60,000 [annual] debt.”)

It appears that federal investigators came upon Martin Raffol when they sought to draw connections between Wilkerson and the WinnCompanies. They subpoenaed the WinnCompanies soon after they arrested Wilkerson in the fall of 2008 and charged her with taking \$23,500 in bribes. The subpoena didn’t accuse the WinnCompanies of any wrongdoing, but the feds wanted to explore the relationship between Wilkerson and several developers. A subpoena of then-Boston City Councilor Chuck Turner also reportedly sought information about WinnCompanies.

In Raffol’s plea memorandum, federal officials say they

were investigating the WinnCompanies and its employees “for potential violations of federal criminal statutes, including crimes relating to various things of value, such as campaign contributions” made to Wilkerson. That’s partly because Wilkerson invited an undercover FBI agent to a June 2008 fundraiser Arthur Winn hosted for her at the Millennium Bostonian Hotel, a property he developed. Wilkerson promised to introduce the agent, who was posing as an out-of-state businessman, to prominent Boston developers at the fundraiser. Instead, she unwittingly introduced the FBI to a group of Winn subcontractors who were sending politicians illegal campaign contributions.

Court documents detail a scheme in which Raffol, who worked at Winn’s housing management division, asked subcontractors to contribute to several federal and state politicians. Raffol then reimbursed the contractors through artificially inflated invoices. Three of the five vendors who participated in this scheme had sent checks to the Wilkerson fundraiser the undercover FBI agent attended. Documents show one of those contractors was subsequently questioned by FBI agents, and he later testified before a federal grand jury. That contractor also taped a phone call in which Raffol asked the contractor to lie about the reimbursement plot.

Representatives for both Raffol and the WinnCompanies have said Raffol acted alone in reimbursing vendors for political donations, and that the WinnCompanies’ management team was unaware of the scheme.

Raffol has pleaded guilty to illegally channeling donations to federal, state, and local politicians. But the documents prosecutors have filed in the Raffol case are less intriguing for their description of a small-time campaign finance racket than for the glimpse they provide into the legitimate side of the WinnCompanies’ political activities.

Court documents say a culture of soliciting and direct-

ing political campaign contributions, as a part of the WinnCompanies' normal course of business, had existed since the early 1980s. The documents do not name the senior executive credited with establishing and perpetuating the company's political culture, but news reports have previously identified that person as Arthur Winn. Court documents allege he would choose which candidates would get contributions from the company's employees and vendors, and how much should be raised in each candidate's name. Candidates were allegedly identified based on their ability to obtain public financing for Winn developments, or to reward support for development projects, or to increase the pool of politicians who might support projects in the future.

Winn allegedly set fundraising targets for his executives, who would then solicit donations from their vendors. The executives would then collect those checks together and hand them off to Winn or other senior executives, who would deliver the checks to political fundraisers as a bundle, in order to demonstrate the company's fundraising prowess.

On more than one occasion, the court documents say, Raffol was asked "how the 'friendly vendors' were doing, were they happy and making money and profits, and if not, asked if [the company] could provide the vendors with more work." According to the court documents, Winn believed the vendors should want to make contributions "because the vendors received a lot of business" from the

Court documents say a political culture of soliciting donations for candidates existed since the early 1980s.

WinnCompanies.

People who know Raffol describe him as apolitical. His arraignment on campaign finance charges aroused surprise because he expressed little personal interest in politics. Several candidates who were unknowingly on the receiv-



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ing end of Raffol's dirty contributions said they had never met him, or even heard of him.

Raffol raised money for the company's candidates, his plea memorandum says, because he feared for his job. The plea says it became clear to Raffol that Winn management "considered soliciting and raising campaign contributions for certain elected candidates from vendors to be an integral part of Raffol's duties and responsibilities."

Raffol found fundraising "distasteful," the plea says, but two senior WinnCompanies executives told him "they could not guarantee that Raffol would not lose his job if he refused to raise campaign contributions any longer." He resorted to the illegal reimbursement scheme, he says, as a way of alleviating the ever-increasing pressure to raise funds for the company's favored political candidates.

Through Eisner, the firm's spokesman, the WinnCompanies denied pressuring employees to raise money or make political contributions, and said Raffol was the first employee to ever make that allegation. Eisner also denied that Arthur Winn collected checks from vendors, or that he ever "established a list of politicians to donate to," as prosecutors claim. Arthur Winn retired in July 2009, before the WinnCompanies became aware that

Raffol was the target of a federal investigation. The firm now prohibits the solicitation of political contributions from vendors.

It is believed Raffol is cooperating with government investigators. Typically, legal observers say, a defendant would plead guilty and cooperate in instances where the defendant is able to "flip" on someone higher up the food chain. Eisner said there were no allegations of wrongdoing in the subpoena the firm received, and said the firm has no knowledge of any current or former employees under investigation, but acknowledged published reports indicating that the criminal investigation that netted Raffol remains open.

But so far, prosecutors haven't alleged wrongdoing on the part of anyone but Martin Raffol. They've created a lot of smoke around the WinnCompanies' political machine — so much that they've prompted Winn to deny it ever had a political machine at all. And although federal prosecutors have created the appearance of impropriety by consistently linking Arthur Winn to Dianne Wilkerson, they've never explicitly alleged that a pay-to-play scheme existed.

Perhaps that's because what they've described is business as usual. **CW**



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