



STATE OF RHODE ISLAND

OFFICE OF THE ATTORNEY GENERAL

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Peter F. Neronha
Attorney General

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Colonel James M. Manni
Superintendent & Director of Public Safety
Rhode Island State Police
311 Danielson Pike
North Scituate, RI 02857

Re: Walter “Bud” Craddock/Commercial Sexual Activity at 1732 Broad Street, Cranston

Dear Colonel Manni:

In May and June 2021, the Cranston Police conducted an investigation of alleged commercial sexual activity at 1732 Broad Street and other locations in Cranston, Rhode Island. 1732 Broad Street is a three-story building owned by a real estate holding company of which Rhode Island Division of Motor Vehicles Director Walter “Bud” Craddock and his wife are the sole owners. Once the Cranston Police investigation became public and it became known that Mr. Craddock was the landlord of the premises in question, Governor Daniel J. McKee asked the Rhode Island State Police to investigate the extent to which Mr. Craddock had any knowledge of, or involvement in, the illegal activities taking place at that location. The State Police concluded its review in October 2021 and found that there was no evidence that Mr. Craddock had any criminal liability in connection with the activities taking place in the first-floor unit of his building.

On or about October 15, 2021, the Rhode Island State Police requested that the Office of the Attorney General review its investigation of Mr. Craddock. Having reviewed the State Police investigation, this Office concludes that we have not been presented with evidence sufficient to establish, beyond a reasonable doubt, the requisite knowledge by Mr. Craddock of the criminal commercial sexual activity occurring on his property such that a criminal prosecution is possible and warranted.

Background

The evidence collected by the State Police in connection with this case shows that between 2017 and 2021, three separate law enforcement actions took place at the first-floor unit of 1732 Broad Street, Cranston, Rhode Island. Two of the three law enforcement actions concerned suspected prostitution and one related to a drug investigation. 1732 Broad Street is one of four

buildings owned by LUC Realty Holding, LLC (“LUC Realty”).¹ According to Secretary of State records, LUC Realty was established on March 7, 2016, for the purpose of owning and operating residential and commercial real estate. The registered agent for LUC Realty was amended from Walter R. Craddock to Steven A. Moretti, Esq. on August 1, 2016. In an interview with the State Police, Mr. Craddock identified himself and his wife, Lynne Urbani Craddock, as the sole owners of LUC Realty. According to Cranston Tax Assessor Records, 1732 Broad Street was purchased by LUC Realty on October 24, 2016.

The information recounted below is taken directly from Rhode Island State Police and Cranston Police Department reports pertaining to each of these investigations.

A. Three Criminal Investigations of Illegal Activities at 1732 Broad Street

In 2017, the Cranston Police Department received multiple complaints regarding suspected prostitution activities taking place at various spas around the city. One of the locations identified was Therapeutic Spa/Youna Spa at 1732 Broad Street. None of the locations identified, including 1732 Broad Street, held licenses to operate as spas, nor was there any record of any employee at any of the businesses having a massage therapy license. Cranston Police and the Department of Homeland Security Investigations conducted a compliance check at the first-floor unit of 1732 Broad Street and spoke with two female employees who admitted that they gave massages without a license. The women were charged with practice of massage without a license. There is no evidence that Mr. Craddock was notified by the Cranston Police Department of this enforcement action at the property he and his wife owned.

In January 2020, the Rhode Island State Police High Intensity Drug Trafficking Task Force (HIDTA) conducted an investigation of an illegal marijuana cultivation operation in Central Falls. During this investigation, police surveillance observed one of the targets of the investigation at 1732 Broad Street. In February 2020, the State Police executed a search warrant at the first-floor unit of 1732 Broad Street where they had to force entry into the apartment. No contraband was seized from the location. The State Police did not observe Mr. Craddock at 1732 Broad Street at any time during this investigation. Finally, there is no evidence that Mr. Craddock was notified by the State Police of this enforcement action at the property he and his wife owned.

In May and June 2021, the Cranston Police Department investigated multiple massage parlors in the city suspected of engaging in commercial sexual activity after receiving complaints from residents. Based on the complaints, surveillance, and internet searches, the Cranston Police Special Victims Unit identified six properties where prostitution activities were likely taking place. Most of the spas identified were not registered as businesses with the city or the state, nor were they licensed to perform massages. One of the locations targeted was the first-floor unit of 1732 Broad Street. The spa operating at that location was not a registered business, nor was it licensed to perform massages.

On May 30, 2021, an undercover Cranston police officer entered 1732 Broad Street and requested a half-hour massage. The female employee quoted a price of \$40 cash. During the massage, the female employee told the undercover officer that she was paid five dollars a day but

¹ The other properties held by LUC Realty are 753 Park Avenue (purchased on June 1, 2016), 0 Farmington Avenue (purchased February 28, 2018), and 190 Grace Street (purchased July 10, 2018). No derogatory information was received with respect to any of the other properties.

was able to keep her tips. She indicated that she worked seven days a week, until late into the night. During the massage, the female employee offered to perform oral sex on the officer in exchange for \$140. The officer declined.

Cranston Police conducted surveillance at many of the locations, including 1732 Broad Street, and noted that multiple men were seen entering/leaving the premises and that some of the premises had exterior surveillance cameras. There is no evidence that Mr. Craddock was observed at 1732 Broad Street during any surveillance in connection with this investigation.

The Cranston Police secured a search warrant for the first floor of 1732 Broad Street. 1732 Broad Street was described in Cranston police reports as a run-down building, with overgrown grass around the perimeter. There were no signs advertising a business on the first floor other than a small fluorescent "OPEN" sign that was visible from the street. The windows facing Broad Street were covered with black trash bags from the inside. Upon entering the premises, investigators saw the main area where there was a massage chair and a reception desk. There were two rooms which had massage beds, minimal lighting, and curtain panels instead of doors. The windows of these rooms were covered up with trash bags, cardboard, and duct tape. The premises also had a fully furnished bedroom, bathroom, closet full of towels and cleaning products, and a kitchen. Police located \$3,500 in cash on the premises, together with a ledger containing customer names, dates and times of service, and charges. Police found a box of condoms hidden in the ceiling tiles of one of the massage rooms. Packaged condoms were also found in a pillowcase.

During the execution of the search warrant, police identified the female sex worker, a Chinese national. She was charged with one count of practicing a massage without a license, offered social services, and released. Police attempted to interview her regarding her working conditions, but she declined to cooperate. Police also identified a male patron who claimed he was only there for a massage. He was released at the scene.

The Cranston Police Department contacted Mr. Craddock following execution of the search warrant and advised him of their findings. They also reached out to Cranston's Building and Zoning Division and the Cranston Fire Department to conduct an inspection of the premises. A housing inspector and a member of the fire department's fire prevention unit responded to the scene. They identified numerous building code and fire safety code violations. They issued separate Notices of Violations to LUC Realty and Mr. Craddock on or about July 22, 2021.

On June 25, 2021, the Cranston Police sent a letter to Mr. Craddock informing him that his tenant, Youna Foot Reflexology, was illegally offering massages without a license and engaging in prostitution activities. The letter informed Mr. Craddock that should he allow this, or any other tenant, to operate an illegal business on his property, he may be liable for a nuisance under R.I. Gen. Laws § 11-30-7. The letter also references the fact that Mr. Craddock had taken action to evict the tenant following execution of the search warrant.

B. State Police Investigation

Following the June 17, 2021, execution of the search warrant at 1732 Broad Street, it became publicly known that Mr. Craddock was the landlord of the property. Accordingly, Governor McKee instructed the Rhode Island State Police to conduct an investigation to determine whether Mr. Craddock had any knowledge of, or involvement in, the commercial sex operation in the buildings' first-floor unit.

On July 28, 2021, State Police Sgt. Herbert Tilson and financial crimes investigator Lori Tellier interviewed Mr. Craddock at the law offices of McLaughlin Quinn, LLC in Providence. Mr. Craddock's attorney, Charles Tamuleviz, was also present.

During the interview, Mr. Craddock recounted his background as a 25-year veteran of the Cranston Police Department. During his tenure with the Cranston Police, Mr. Craddock was a patrol officer, a member of the SWAT team, a training officer, narcotics unit supervisor, Deputy Chief and Chief. Mr. Craddock retired from the Cranston Police Department in 2002. Mr. Craddock also became a member of the Rhode Island Bar in 2000 and was in private practice for some time, ultimately joining New York Life Insurance. In 2015, Mr. Craddock was appointed as Director of the DMV by Governor Gina M. Raimondo.

Mr. Craddock acknowledged during the interview that he purchased the building located at 1732 Broad Street, Cranston, R.I. in 2016. He also confirmed that Ms. J. Zhang had signed a lease for the first-floor unit from February 1, 2019 through January 31, 2020. Following expiration of the lease, Ms. Zhang remained as a month-to-month tenant. A copy of the lease provided by the State Police lists the lessor as LUC Realty Holding, LLC, 90 and the lessee as Ms. Zhang. The annual rent is listed at \$13,500, or \$1,125 a month. The lease was signed by Walter R. Craddock, Lynne A. Craddock and Ms. Zhang.

Mr. Craddock stated that he believed the first floor was used as a commercial space for a business named "Foot Flex Reflexology." (As previously noted, there is no evidence of any business by that name registered with the Secretary of State or any business by that name having a license to practice massage.) He further stated that prior to the Covid-19 pandemic, the rent was paid via direct deposit to his bank account. During the Covid-19 pandemic, he began to personally collect his monthly rent payment from the first-floor tenant. Mr. Craddock stated that he was paid in cash by Ms. Zhang or by "Linda." Mr. Craddock stated that he typically collected the rent from the steps leading up to the back door of the first-floor unit, though he admitted entering the unit and counting the rent on the kitchen table on several occasions. Mr. Craddock stated that he never encountered any customers inside the apartment.

Notably, Mr. Craddock did not explain why he chose to change his practice and *personally* collect the rent during the Covid-19 pandemic (common sense would dictate that one would want less, not more, personal interaction during this time). Likewise, the interview report did not indicate whether he personally collected the rent from any other tenant. The State Police did not provide this Office with any financial records for Mr. Craddock, and accordingly, his account of the manner of payment could not be verified.

Mr. Craddock also stated that he did not receive complaints regarding Ms. Zhang or the first-floor unit from any other tenants or from the Cranston Police Department. According to Mr. Craddock, he first learned that criminal activity was taking place on the premises after the June 17, 2021 search warrant. He stated that Cranston Police Chief, Colonel Michael J. Winquist, called him to advise him that there was an arrest on the property.

Mr. Craddock was shown a photo of the woman who was arrested on the property on June 17, 2021, and he indicated that he did not recognize her.

Mr. Craddock was asked about the condition of the apartment and, in particular, the fact that the windows were covered with garbage bags. He stated that he assumed it was to keep light out. Mr. Craddock indicated that he was not aware that the State Police executed a search warrant on the premises in 2020. Mr. Craddock did recall that there was damage to the front door, but he claimed that he never learned the cause of the damage (forceful entry by the police) and that he hired a handyman to repair the door. Mr. Craddock, likewise, denied any knowledge of the 2017 investigation into commercial sexual activity at 1732 Broad Street and the arrest made as a result. He also stated that the fire department had responded to 1732 Broad Street on a couple of occasions in connection with fire alarm issues and they never advised him of any “red flags.”

Mr. Craddock showed investigators a June 21, 2021, termination of tenancy notice letter that he sent Ms. Zhang via certified mail. Mr. Craddock also indicated that a constable attempted to personally serve Ms. Zhang with the termination notice but was unsuccessful.

The State Police unsuccessfully attempted to interview Ms. Zhang about the activity at and her lease of 1732 Broad Street and were unable to obtain any evidence from anyone else who worked there regarding the commercial sexual activity at that location or Mr. Craddock’s knowledge (or lack of knowledge) of it.

The State Police interviewed the tenant of the basement apartment of 1732 Broad Street. That tenant indicated that he suspected there was prostitution activity taking place in the first-floor apartment because a lot of “white guys were walking in and out.” He stated that he never reported his suspicions to the Cranston Police Department or to his landlord. The basement tenant stated he paid his rent by dropping off a check at Bank of Rhode Island every month.

Analysis

Under Rhode Island law, a landlord may have criminal liability for a nuisance under R.I. Gen. Laws § 11-30-7, which provides:

Every person who shall let any building or tenement owned by him or her or under his or her control, for any of the purposes enumerated in §§ 11-30-1 and 11-30-2, or who shall *knowingly* permit any building, tenement, or part of one to be so used while under his or her control, or who shall after five (5) days’ notice from any officer or magistrate of that use of the building or tenement omit to take all reasonable measures to eject the tenant or occupant from the premises as soon as it may lawfully be done, shall be deemed and taken to be guilty of aiding in the maintenance of the nuisance, and shall be fined not less than one hundred dollars (\$100) nor more than one thousand dollars (\$1,000) or be imprisoned in the adult correctional institutions not less than sixty (60) days nor more than one year. (Emphasis supplied.)

Under Section 11-30-1, one of the purposes that constitutes a nuisance “includes any place . . . in or upon which lewdness, assignation, or prostitution is conducted, permitted, continued, or exists”

Additionally, under R.I. Gen. Laws § 11-34.1-7, Pandering or Permitting Prostitution, a landlord of a spa or business where commercial sexual activity is taking place, may be criminally liable if it can be established either that they *knowingly* permitted or allowed prostitution to take place on the premises or, “*knowing* a person to be a prostitute . . . derive support or maintenance, in whole or in part, from the earnings or proceeds of commercial sexual activity” (Emphasis supplied.)

In this case, there is little doubt that the first-floor unit of 1732 Broad Street constituted a common nuisance based upon its use for commercial sexual activity. What is lacking, however, is sufficient evidence to establish beyond a reasonable doubt that Mr. Craddock had actual knowledge that this location was used for this purpose.

Notably, it appears that neither LUC Realty nor Mr. Craddock were notified by the Cranston Police of the suspected illegal activity taking place at 1732 Broad Street following the enforcement action in 2017. There is also no evidence that Mr. Craddock was notified of suspected drug trafficking activities at that location in 2020. There was no evidence produced by any of the investigations that Mr. Craddock was present for, or knew about, the illegal activities taking place inside the first-floor unit. Accordingly, there is no direct evidence that Mr. Craddock knew, prior to June 17, 2021, of any illegal activity taking place there. Upon receiving notice that his tenant engaged in or permitted prostitution to occur on the premises, Mr. Craddock took steps to evict the tenant.

Certainly, the information presented by the State Police to this Office suggests that there were multiple red flags that should have at least given Mr. Craddock pause concerning the nature of the business operated by his first-floor tenant. For example: there was no official record of a business registered at that location, no massage license displayed inside the unit, no business name on the exterior of the building or door, an interior surveillance camera, and garbage bags taped over the windows. These are not the trappings of a legitimate commercial operation. Additionally, it appears that this business paid its rent in cash. As Mr. Craddock admitted being inside the unit multiple times in the months leading up to the June 17, 2021 enforcement action, there is little doubt that he was aware of the general appearance of the building from the inside and outside. Given his law enforcement background, Mr. Craddock likely had reason to suspect that this was not a legitimate commercial enterprise.

This Office also notes that some of Mr. Craddock’s answers to the State Police strain credulity. For instance, his statement that he *began* to collect rent in person from this tenant during the pandemic makes little sense. If nothing else, the pandemic prompted most people to have fewer personal interactions, rather than more. His statements to investigators that he believed that the plastic bags taped over the windows (as compared to more typical window treatments, such as shades) were to keep light out (as opposed to preventing someone from observing the activity within), and that he never learned why the broken-down door to the first-floor unit required replacement, are curious, at best.

Putting all this together, regarding the critical issue of whether Mr. Craddock had knowledge of the criminal commercial sexual activity occurring at his building at 1732 Broad Street, there is ample smoke. Applying, however, the “beyond a reasonable doubt” standard to these facts, which we as prosecutors must, there is insufficient evidence to establish fire. That Mr. Craddock “should have known” or “must have known” that commercial sex activity was going on at his 1732 Broad Street property is not the standard that this Office must meet. Rather, we must prove beyond a reasonable doubt that he *did* know. And on the evidence presented to us by the Rhode Island State Police, that is not possible. There has been no record, witness, or electronic or other surveillance evidence produced that adequately establishes such knowledge beyond a reasonable doubt.

Please do not hesitate to reach out to me should you have any questions regarding this matter.

Sincerely,



Peter F. Neronha
Attorney General