

An Inquiry into Human Trafficking Activity in the Massage and Bodywork Therapy Industry in New Jersey





State of New Jersey

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Governor Phil Murphy
The President and Members of the Senate
The Speaker and Members of the General Assembly

The State Commission of Investigation, pursuant to N.J.S.A. 52:9M-1 to -20, herewith submits its final report of findings and recommendations stemming from an investigation into questionable practices and illicit activity, including potential human trafficking, at massage and bodywork therapy businesses in New Jersey.

Respectfully,

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Tiffany Williams Brewer
Chair

Handwritten signature of John P. Lacey in cursive script.

John P. Lacey
Commissioner

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I. *Executive Summary*

The New Jersey State Commission of Investigation (the SCI or the Commission) is statutorily authorized under N.J.S.A. 52:9M-1 to -20 to conduct investigations into the faithful execution of New Jersey laws and matters impacting public peace, safety and justice. Under that purview, the SCI initiated an inquiry into the operation of massage businesses in New Jersey following requests from state legislators to examine the industry amid concerns human traffickers and criminal wrongdoing had subverted it.

The SCI investigated a segment of the massage business industry and found there were hundreds of massage entities operating in New Jersey that had been associated with questionable and potentially unlawful conduct, including some with indicia of human trafficking.¹ At several of those establishments, the SCI found owners and operators routinely manipulated laws and rules that govern the industry, engaged in efforts to conceal certain business activities and exploited female employees – who were typically Asian immigrants with minimal English-speaking skills – through coercive and oppressive labor conditions.

To conduct this comprehensive inquiry, which examined approximately 250 New Jersey-based massage industry businesses, SCI investigators issued scores of subpoenas, analyzed financial records and received testimony from 40 witnesses. SCI agents also conducted surveillance at suspect establishments and interviewed law enforcement officers, municipal inspectors, state regulators and others associated with the massage therapy industry, including the women employees subjected to oppressive and, in some instances, unlawful and abusive working conditions.

All of the questionable massage businesses examined during the inquiry were registered with state or local government entities or had taken deliberate actions to appear otherwise legitimate. State oversight strictly regulates massage therapists but minimally oversees businesses, owners, and operators. The Commission found that the weak and fragmented statutory and regulatory framework that underpins the industry was subverted in some instances, enabling corrupt operators to engage in unlawful conduct, including fraud and tax evasion, without detection.

Among the findings uncovered at numerous massage businesses throughout New Jersey that cultivated an environment for human trafficking:

- Evidence that female employees lived at the massage establishments

¹ There were 674 massage and bodywork businesses registered with the New Jersey Board of Massage and Bodywork Therapy as of September 2024. Among the data analyzed by the investigative staff in determining whether establishments were questionable were reviews posted for more than 300 New Jersey-based massage businesses on an explicit sex buyer website over the past two years.

- Practices to ostensibly obscure activities occurring inside the facilities, such as darkened windows, the use of back entrances, and a lack of signage
- Illicit business practices that included operating primarily in cash, reporting little to no taxable income and installing straw owners to hide true ownership
- Business owners lived lavish lifestyles despite having modest reportable incomes

The Commission also found that strong local ordinances have successfully addressed some problems associated with illicit massage businesses in several New Jersey municipalities.

Given the seriousness of the Commission’s findings, it mandates the need for robust reforms to tighten the State’s oversight of these businesses, to hold owners accountable for exploitative conduct and to protect the women victimized through the industry. A vital component of any meaningful reform requires reforming the licensing mechanism to include businesses and their ownership and amending the criminal laws in the state to impose stricter penalties for individuals who have benefitted from promoting prostitution and human trafficking- related activities. To that end, there should be stronger guidance developed to assist law enforcement agencies, local inspectors and other regulators in both identifying conditions indicative of human trafficking, investigating trafficking and combating its rise in New Jersey. A detailed presentation of the Commission’s proposed recommendations can be found at the end of this report.

II. Background

Illicit massage businesses, commonly known as “massage parlors,” are well-known fixtures throughout New Jersey and nationwide. They have grown significantly in recent years, with an estimated more than 13,000 illicit massage establishments operating nationwide in 2022, an increase of approximately 38 percent from 2019.² The ubiquity of these businesses, combined with the impunity with which they often operate, has led to the misnomer that illicit massage businesses are essentially harmless. However, the findings made by the Commission turn that notion on its head, revealing that many of the women who work at illicit massage businesses are not there by choice. Instead, evidence found by the SCI suggested they are victims of coercive labor conditions and, in some cases, human trafficking who were brought into the industry and remained trapped in it due to factors such as financial hardship, undocumented immigration status and other personal circumstances.

Human trafficking experts told the Commission that the typical female employee who works at an illicit massage parlor is a middle-aged immigrant from an Asian country, most commonly China and South Korea. Most do not speak English and have limited income and education. They are commonly targeted and victimized by those within their ethnic community.

² Source data from Heyrick Research LLC, a nonprofit research firm now known as “The Network,” which has documented illicit massage businesses nationwide. The firm has worked with states, cities and government units across the country to assist in the development of initiatives to combat human trafficking.

Many women who work in New Jersey massage businesses either reside in or are part of a trafficking network based in Flushing, New York. Sometimes called the “Chinese Manhattan,” Flushing is an active center of commerce, finance and transportation with a population that is more than two-thirds Asian, comprised mainly of Chinese and Koreans.³ It is also considered the “epicenter of trafficking for the entire country.”⁴

During the inquiry, the Commission heard from witnesses that women were transported, sometimes on a weekly basis, from New York to massage businesses in New Jersey. The women lived for extended periods at owner-provided housing or at massage establishments, which were equipped with beds and makeshift kitchens, in violation of government health and safety laws. A June 2024 search of a state database for actively licensed massage therapists, administered by the New Jersey Division of Consumer Affairs, revealed that more licensees listed their addresses at a location in Flushing than from any other place, including those within the Garden State.⁵

The Commission discovered some consistent pathways that led vulnerable women to get drawn into the illicit massage business industry, including responding to sham job advertisements or through referrals by an acquaintance to a specific business where they are enticed by the notion of making money quickly to help pay off a financial debt. Others get lured from their homes overseas to come to the United States by visa brokers, who offer the promise of high- income jobs but are actually traffickers.

Industry experts told the Commission that massage business employees are not generally held captive; however, they are subjected to mental and emotional manipulation that are among various barriers to exit. The women also face significant hurdles to leaving the industry due to the inability to speak English, unfamiliarity with American laws, limited financial resources, undocumented immigration status, distrust of government authorities and shame.⁶ Traffickers capitalize on these factors by exerting social and cultural pressure – a potent influence for many Asian victims – along with threats and intimidation to keep the women in coerced labor conditions.

A confidential source told the SCI about how the inability to pay back financial losses incurred in a spiraling gambling addiction drove the source to seek work at an illicit massage business in Atlantic City several years ago. The source testified that she was initially able to pay back a loan shark who lent her \$5,000 plus charged \$2,000 in interest, but her debt escalated as her gambling problem worsened. Subsequently, the source was approached by an “Asian man” at an Atlantic City casino who offered to

³ Estimated percentage based on U.S. Census data.

⁴ Statements made by New York State Governor Kathy Hochul during a Sept. 27, 2023 signing of a package of anti-trafficking legislation.

⁵ There were 596 individuals with active massage therapy licenses from Flushing, N.Y., according to the New Jersey Division of Consumer Affairs website. Those with Flushing addresses represented 7.7 percent of all of the 7,736 licensees in the state.

⁶ The language barrier challenged the SCI’s investigative efforts in this case. In some instances, the SCI used interpreters when obtaining sworn testimony from witnesses.

loan her \$10,000, giving her \$7,000 and taking out the rest for interest payment. As her gambling debts mounted, the source borrowed more and more, paying the man approximately \$100,000 for loans and interest between 2021 and 2022. Eventually, the Asian man suggested another way for the source to obtain cash quickly:

Q. I believe I heard you say that Asian man introduced you to a massage parlor?

A. Yes.

Q. How did that happen?

A. So I lost a lot of money at the casino, so that person told me that I have a way to earn a lot of money and earn a lot of money fast, and he said that he can teach me where that was, and I refused multiple times at beginning, because I didn't even dream about ever working anything like that before...

Owing about \$40,000 to the loan shark, the source, who did not have a massage license, began working at Suns Spa in Atlantic City, an illicit massage business open 24 hours a day. The source testified to working around the clock for 30 days at a time, sleeping when business became slow.⁷ Customers would enter the business and get sent back to private rooms by the owner or manager. The manager then sent a female “therapist” to the room to collect an initial payment, known as a “house fee” of \$60 or \$65 for a massage, which went to the management. If the customer requested sexual services, the costs would escalate depending on the service. The female employees kept the remaining money charged for sexual services but had to share any tips with management, according to the source. Each week, the women were required to pay \$500 to the owner, which included food and other personal necessities, and another \$140 to the manager, keeping the rest for themselves.

A. Indicators of Human Trafficking in Massage Establishments

The Commission’s investigation revealed certain conditions as well as specific practices designed to conceal or monitor the activity occurring inside were common to illicit massage businesses. Many of these findings were consistent with what industry experts and law enforcement authorities identified as common indicators that a massage business is likely engaging in commercial sex services and potential human trafficking. Among the signs that indicate a facility may be an illicit massage business:

- Darkened or covered windows that make it difficult to see inside the establishment
- Locked front entrances with security cameras or entrances through more hidden back or side doors
- Long business hours, with women therapists working lengthy or overnight shifts

⁷ The Facebook page for Suns Spa states the business is open 24 hours a day. It also features provocative photos of Asian women in lingerie and describes services offered using suggestive language.

- A mostly male clientele
- Regular rotation of female workers
- Evidence of women living on site or staying at nearby housing or hotel controlled by the business owner

B. State and Municipal Regulation of the Massage Industry

State regulation of the massage industry in New Jersey has rigid standards for massage therapists yet provides minimal oversight of the businesses that operate in it. Numerous municipalities have adopted local ordinances with stricter requirements for the operation of massage businesses. However, the rules and restrictions vary from town to town.

On the state level, the New Jersey Board of Massage and Bodywork Therapy (Board) is among the 51 occupational and professional boards overseen by the State Division of Consumer Affairs. The “New Jersey Board of Massage and Bodywork Therapy Law” specifically outlines the process for licensure of therapists and registration for businesses.⁸ Additional guidance is provided in agency regulations.⁹ Duties for New Jersey licensees are also codified in the Uniform Enforcement Act, as well as in the Uniform Regulations.¹⁰ To obtain a massage therapy license in New Jersey, an individual must complete a course of study of at least 500 hours in massage and bodywork therapies and pass one of three written examinations accepted by the State.¹¹ Applicants must also submit to a criminal history background check, which could result in a refusal to issue a license or certificate, or the suspension or revocation of an existing license or certificate.¹² Once a license has been issued, it must be renewed every two years.¹³ To maintain their licenses, therapists must also complete continuing education coursework.¹⁴

The examinations for massage therapy licensure accepted by the State of New Jersey are administered by national entities that typically only offer the tests in English or Spanish. Further, the costs of these tests can be prohibitive for entry-level workers.¹⁵ The ability to make a living wage while completing these educational requirements is challenging and creates a breeding ground for the exploitation of those seeking licensure.

⁸ N.J.S.A. 45:11-53 to 11-80

⁹ N.J.A.C. 13:37A

¹⁰ N.J.S.A. 45:1-1 to -53; N.J.A.C. 13:45C-1.1 to -3.3

¹¹ The State accepts examinations from the National Certification Board for Therapeutic Massage and Bodywork, National Certification Commission for Acupuncture and Oriental Medicine and The Massage and Bodywork Licensing Examination offered by the Federation of State Massage Therapy Boards. N.J.A.C. 13:37A-2.1(a)

¹² N.J.S.A. 45:11-80

¹³ N.J.A.C. 13:37A-2.3

¹⁴ N.J.A.C. 13:37A-4.1 to -4.5

¹⁵ Fees associated with examinations required to obtain a massage therapy license range from \$265 to \$400, depending on the credentialing entity and whether the test is in a foreign language.

Licensed massage therapists must adhere to strict rules regarding professional conduct that, if violated, could result in disciplinary action or potential license suspension or revocation. A licensee must report to the Board within 10 days any criminal or legal actions filed against them, any disciplinary actions by the Department of Health or other state or federal agencies. Sexual contact or other sexual misconduct with clients is strictly prohibited.

Conversely, massage business owners only need to register their business with the State and meet basic standards to remain in good standing.¹⁶ To “advertise or hold itself out as offering massage and bodywork therapies,” a business entity must be registered with the Board every two years.¹⁷ Applicants must provide the name and address of the owner or operator of the entity, the municipality and location of the primary place of business, and the location of any other branches of the business.¹⁸ Along with a certification attesting that they will only employ massage therapists licensed by the Board, applicants must also undergo criminal background checks, pay a registration fee and show proof of coverage by a professional liability insurance policy.¹⁹

The Board may only suspend or revoke the registration of a massage business for submitting false or misleading information in its registration application or for failing to demonstrate that every employee who is engaged in providing massage and bodywork therapy services is licensed to practice by the Board.²⁰ Even if law enforcement authorities find criminal activity occurring on site, Consumer Affairs personnel do not have the authority to revoke a business registration. No state laws or regulations prohibit massage businesses from engaging in certain practices, such as darkening the windows, operating outside regular business hours and having sleeping quarters on the premises.

New Jersey has few uniform regulations for the operation of massage therapy businesses in the state. The primary obligation for any business that seeks to “advertise or hold itself out as offering massage and bodywork therapies” is to register with the New Jersey Board of Massage and Bodywork Therapy in the Division of Consumer Affairs. To register, owner applicants only need to provide basic information, such as their name and address, the location of the business and any other business branches. They must also undergo criminal background checks, pay a registration fee and show proof of coverage through a professional liability insurance policy. Although the State provides guidance for recordkeeping and other administrative-type practices, it does not dictate rules for the day-to-day operation of the businesses.

Numerous municipalities have enacted their own local ordinances to oversee or, in some cases, prohibit massage therapy businesses, but the rules differ from town to town without consistency. The Commission’s review of local ordinances in approximately two dozen municipalities found that all the towns required massage businesses to obtain licenses or permits. Most ordinances require massage

¹⁶ N.J.A.C. 13:37A-6.1

¹⁷ N.J.S.A. 45:11-76

¹⁸ N.J.S.A. 45:11-76

¹⁹ N.J.A.C. 13:37A-6.1(c)(3)-(4)

²⁰ N.J.A.C. 13:37A-6.2(a)

businesses to undergo inspections but the parameters and frequency vary. For instance, in the Borough of Carlstadt in Bergen County, a massage business licensed by the municipality is subject to inspection every six months. Of the ordinances reviewed, violators faced penalties ranging from hundreds of dollars to up to \$2,500 for code violations. More details about how some municipalities have successfully curtailed or eliminated some of the types of misconduct associated with illicit massage businesses through robust local laws can be found later in this report.

III. Key Findings

1. Evidence that female employees lived at the massage establishments

The Commission review of massage businesses across New Jersey found multiple establishments where there were indicators that the female therapists not only were employed at the establishments but were also living on site. The businesses were outfitted with beds, had makeshift kitchens where bulk food was prepared or stored, and workers arrived with luggage. SCI investigators interviewed police, health inspectors and fire marshals in various communities, visited suspicious massage businesses to conduct surveillance and obtained sworn testimony from employees.

In February 2022, the Commission had the opportunity to join a municipal official in a South Jersey town as the official conducted an inspection of a suspected illicit massage business. The spa business was on the north side of a nondescript one-story brick duplex in a commercial section of the town, while the south side was allegedly vacant. The spa business had three rooms with a massage table and a small stand holding massage-related supplies, and a fourth room had a “table shower” with a massage table and a sink with an extendable shower hose. In addition, there was a sauna room and a small bathroom.

The south side of the building did not have a certificate of occupancy; however, the woman who answered the door of the massage business reported that both sides of the property were in use. She agreed to allow the local official and the SCI agent to tour the south side but asked them to wait while she went around and unlocked the door from the inside. The sounds of footsteps, doors closing, and voices speaking an unidentifiable Asian dialect were heard in the background, according to the SCI agent’s written account of the visit.

The tour of the south side revealed it had residential living quarters. There were three beds and a large reclining chair. Further, there was a bathroom, laundry area and small kitchen. Large amounts of food items were stacked around the living room and kitchen areas where an elderly woman was mixing greens in a large salad bowl that appeared to be for several people or intended to last for an extended time. Several suitcases were stacked inside a closet that housed an electrical panel.

Commission investigators also visited Edison Township where Janice Skokowski, a Registered Health Environmental Specialist for the Edison Township Division of Health, told agents about the signs of habitation she had observed in massage establishments. In Edison, which has 20 massage businesses

registered with the Middlesex County township a health and safety inspection occurs before an entity's municipal massage business permit is approved and regular inspections occur thereafter. Inspectors verify that massage therapists working at the business are properly licensed and that the facility complies with sanitation and safety requirements under the municipal health code. If inspectors suspect criminal activity on site that information is reported to the police, Skokowski said. She testified about the conditions that indicate workers are living on-site:

Q. Have you seen anything else that lends to the establishment not being used as a business?

A. I've seen evidence of the business being used as a residence.

Q. Can you elaborate on that?

A. Just excessive bedding, a lot of futons, things that fold out for sleeping purposes.

Q. When you say –

A. Excessive clothing, excessive personal belongings. I've seen a lot of prescription medicine there. Sometimes they have a staff room. The refrigerator has an excessive amount of food. They have an excessive amount of cooking equipment, yeah, those things.

Q. When you say excessive amounts of cooking equipment, do you mean the sort of things that you would find in a household residence rather than an office break room?

A. Yes.

Q. Anything else related to individuals potentially living on-site at these locations that you see during inspections?

A. I found them sleeping when I arrive.

2. Practices to obscure activities occurring inside the facilities, such as darkened windows, the use of back entrances, and a lack of signage

The Commission found there were common practices used by illicit massage businesses to conceal the activities that were occurring behind closed doors. Along with locked front doors, some establishments only enabled customers to enter if buzzed in.

Commission investigators found no signage to indicate the Oriental Healing Center was operating on the second-floor unit of a multi-unit office building in a residential area in Springfield (Union County). However, the business was well-known by nearby neighbors who had observed the steady stream of primarily male visitors who frequented the establishment most weekdays, from about 2 p.m. until as late as 10 p.m. The visitors entered the business through a back entrance partially covered with vegetation accessible through a parking lot. Two security cameras were posted on the building that pointed toward the street near the parking lot entrance.

A nearby business owner told Commission investigators that he had never seen the Asian female employees who worked there drive vehicles to the business. Instead, vehicles with New York license plates would transport the female workers, some of whom carried luggage, to and from the

establishment. Residents had complained to municipal officials about their suspicions that prostitution was occurring at the business, but the neighbor claimed nothing was done to address it.

Located on the second floor of a two-story office building on a commercial stretch in Spotswood (Middlesex County), Natural Healing was housed in a space previously occupied by a massage business operated by a married couple. Tenants in the building told the Commission they became suspicious about Natural Healing after observing the business engaged in somewhat unusual practices, such as having darkened windows and a main entrance that required someone inside to buzz in a visitor. It also had a surveillance camera posted outside. Lights inside the business remained turned on after regular business hours.²¹ Most revealing, all of the individuals observed entering the massage business were “100 percent male.”

Fellow tenants also noticed that the women employees, who were all Asian, never seemed to leave the business for lunch breaks or at any other times. They were rarely spotted outside the premises except when they were picked up or dropped off at the massage business. Like clockwork, a white eight-passenger van with a New York license plate would arrive at the building between 8 a.m. and 9 a.m. once a week, according to a tenant who testified to observing the drop-offs more than a dozen times. Another tenant also saw women carrying suitcases get dropped off or picked up from the business.

3. Illicit business practices that included operating primarily in cash, reporting little to no taxable income and installing straw owners to hide true ownership

Some of the questionable massage establishments investigated by the Commission operated primarily in cash and reported minimal wage or other tax-related information to government authorities.²² By paying employees in cash, the business owners avoided reporting their existence to federal and state authorities for state unemployment and disability funds and Social Security taxes. For workers who do not have legal status within the country, cash payments help them remain hidden from immigration authorities. They also aid business operators in concealing illicit activity, including commercial sex sales.

The Commission found workers endured oppressive labor conditions and were routinely paid minimally, with some working only for tips. At most of the establishments, the therapist employees received payment on a commission basis. They kept a portion of the proceeds from each service and paid the remainder as “house fees” to the owner or manager, sometimes known as the “mamasan.” The client’s fees, along with the employee’s share, would escalate depending on the requested service, incentivizing the workers to offer paid sex services to clients to make more money.

²¹ An employee who worked for another business in the building testified to feeling unsafe working there alone, telling the SCI that customers looking for the massage establishment sometimes mistakenly knocked on her door.

²² In response to an SCI request seeking employee and wage information for 10 New Jersey-based massage businesses between January 2018 and June 2023, the Department of Labor and Workforce Development reported no records for five of those businesses.

Among the witnesses who were subpoenaed to provide sworn testimony about the operation of illicit massage establishments was Chun Yong Evans, who has an extensive criminal record related to her management of several massage businesses in the region. Evans served seven months in federal prison for a 2008 conviction for conspiracy, prostitution and human trafficking charges in connection with her operation of a Berwyn, Pennsylvania massage business. Over the past two decades, Evans has been associated with numerous illicit spas in New Jersey, including Evergreen Spa in Pleasantville and Rainbow Spa in Vineland. She does not have a state-issued massage therapist license.

Evans testified before the Commission about the payment arrangements between management and employees in her facilities:

Q. You paid these women in cash, correct?

A. Yes. \$20 commission per customer.

Q. You're aware that providing these women payment in cash opened them to potential tax implications, correct?

A. Oh, I didn't know it was illegal, because they wanted to be paid in cash and they paid their own taxes. And they were there temporarily, so I agreed to pay them in cash. Well, they would like to be paid under the table in cash.

THE WITNESS: It's American way.

Q. When you say it's the "American way," what do you mean?

A. Under the table. They want to be paid in cash.

The Straw Owner

Michael DeMaria served as the owner, at least on paper, of Evergreen Day Spa in Pleasantville and had registered several other New Jersey massage parlors and other businesses associated with Chun Yung Evans with the appropriate government entities. He also helped Evans secure a nearly \$30,000 federal disaster relief loan during the COVID-19 pandemic for one of the spas registered in his name, which she later used to open an unrelated business in another location.

DeMaria's role, as he told the Commission, was primarily to assist Evans in filling out the necessary paperwork for the businesses to operate legally. Records reviewed by the SCI revealed DeMaria was the registered agent for a now-closed Asian restaurant in Williamstown and at least two massage businesses: Aqua Blue Day Spa in Cherry Hill and Rainbow Day Spa in Vineland. Evans is the registered agent for Waterfall Therapy Day Spa in Mays Landing; however, DeMaria's home address appeared under her name instead of her own. This discrepancy raises legal implications and questions the legitimacy of their business operations.

DeMaria told the Commission he met Evans while working as a dealer at an Atlantic City casino.²³ He testified that he was aware of some of Evan's criminal history but filled out business

²³ Evans told the Commission during testimony that she was a frequent gambler.

paperwork for her as a favor “for friendship.” DeMaria testified he was reimbursed for expenses but never received any payment from Evans.

Online state business registration records indicated DeMaria was the registered agent when Rainbow Day Spa, LLC, was incorporated with the State of New Jersey in May 2014. He told the Commission that his association with the business ended in 2019; however the SCI’s review of government records revealed he remained linked to the establishment as recently as June 2024.²⁴ His role as the “business contact” for the spa resulted in DeMaria getting cited by the Vineland Fire Department in May and November of 2019 following fire safety inspections that found a sleeping room with mattresses on the floor of the massage business.

When questioned by SCI counsel about whether he had assisted Evans in obtaining government assistance for the business, DeMaria admitted to helping her secure a federal disaster assistance loan from the Small Business Administration (SBA) for \$29,500 in July 2020. Records obtained by the Commission revealed DeMaria received a check from the federal government for \$29,500 on July 20, 2021. A day later, he wrote a check for that same amount, payable to Evans. In testimony before the SCI, Evans said that monies from the loan were used to open Evergreen Day Spa. DeMaria testified that he is currently paying back monies received through the federal government loan.

Rent-a-license

James Yoo monetized his state massage therapist license by renting it to numerous businesses in New Jersey and beyond, collecting tens of thousands of dollars by illicitly using his state-issued credentials.

Yoo testified before the Commission that he worked as a real estate agent and earned income working for nail salons and “skin care massage” businesses by assisting the management of the entities in completing the paperwork required by local government. Yet when SCI counsel pressed him on whether he permitted other individuals to use his New Jersey massage therapy license to open the establishments, he declined to answer, invoking his Fifth Amendment right against self-incrimination.

The SCI’s investigation revealed Yoo was associated on paper (listed on government, bank and other related documents as either the owner, president, incorporator, registered agent, member, representative, contact, manager, tenant/purchaser, and/or director) of at least 29 massage businesses across the United States between 2016 and 2021. Of those, eleven were located in New Jersey. The Commission found Yoo received payments from multiple businesses, ostensibly to manage the paperwork and effectively rent his therapist license, enabling the businesses to meet the state requirement that massage establishments employ licensed therapists.

²⁴ A search of corporate records with the New Jersey Secretary of State showed DeMaria was the registered agent for the business until June 2024. He is currently listed as an officer/director for the corporation.

Evans, who has had associations with numerous New Jersey massage businesses, testified that she “borrowed” a massage therapy license from Yoo when she opened Evergreen Day Spa in Pleasantville:

Q. Who is James -- who is James Yoo?

A. So the town said that they need a massage -- so Evergreen said that they need a massage license from the town and it must be applied, and somebody by the name of James Yoo I heard that was lending the license for \$500, so someone told me about that, so person came and worked for one week and lent the license...

Financial records reviewed by the Commission found Yoo received monthly payments ranging from \$500 to \$1,500 each from three different massage parlors – including two in New Jersey – between January 2021 and May 2023 – totaling \$58,300. Yoo also deposited 108 checks totaling \$80,459.63 from 16 massage businesses between January 1, 2020 and October 25, 2021.

The SCI’s review of massage businesses connected to Yoo found some of the locations have been the focus of criminal investigations into allegations of prostitution and human trafficking. In 2021, Yoo was criminally charged by the Sayreville Police Department for operating a massage parlor where prostitution was being conducted following an undercover police operation at the location. Yoo, identified as the sole corporate officer, incorporator and registered agent for 495 Health Inc., was charged with promoting prostitution. Yoo subsequently entered and completed Pretrial Intervention (PTI), enabling him to get the charges dismissed after a year of court supervision.

Yoo testified that he was no longer affiliated with any New Jersey massage businesses.²⁵ Records reviewed by the SCI indicated Yoo has active massage therapy licenses in eight other states.

Likewise, Yoo’s wife, Yun Ok Heo, who holds a valid New Jersey massage therapist license and licenses in Indiana, Illinois and Pennsylvania, told the Commission in sworn testimony that she profited through the same scheme. Heo testified that she did not practice massage at those locations but lent her license to massage establishments that paid her to use her credentials:

Q. Why do you have massage therapy licenses in all those different states that we discussed before the break?

A. Well, this person I know asked me for help because their English is limited. They cannot obtain licenses, and if you have New Jersey MBLEx license, you can transfer to other states. So the person asked for help, so that's how I got the other states licenses.

Q. When you say "help," do you mean help with opening a massage business?

A. Yes, to lend license.

Q. So do you currently work as a massage therapist?

A. No.

Q. Have you ever actually worked as a massage therapist?

²⁵ According to the Division of Consumer Affairs records, Yoo’s massage business owner registration was inactive as of October 31, 2023.

A. No.

Q. You obtained these massage therapist licenses in order to help open up massage businesses; is that correct?

A. Yes.

Q. Have you ever opened up a massage business by yourself?

A. No.

Heo confirmed during her testimony that she was the owner of record for Min 8888 Corporation, a massage business in Atlantic City. However, Heo testified she had neither visited the spa nor had ever been to Atlantic City:

Q. Do you recall a Min 8888 Corporation?

A. Yes.

Q. What can you tell me about that corporation?

A. I mean, that's under my name. This person asked for help with the licensing, so that's the name of it, but I've never been there.

The Business Facilitator

Joo Young Lee told the Commission his job was to find locations suitable for opening a massage business. He registered the businesses in his name with appropriate government authorities, listed his name on the lease, managed the business bank accounts, and dealt with regulators and other concerns while other people managed the day-to-day operations. Lee testified that he was not involved in the operation of the businesses, so he did not know how much revenue the entities generated. However, he said he received a portion of the profits. He called the arrangement “profit sharing” and explained it was akin to a sublease in that he would receive a monthly payment from the business operators.

State and municipal records reviewed by the SCI indicated Lee owned Pine Spa 27 (also known as Spa 27 and Edison Nail and Spa) in Edison, Green Apple Spa 46 in Garfield and West Garden Nail & Spa in Butler. Lee noted Pine Spa 27 went through multiple ownership changes over the years. He claimed to have limited contact information for the most recent manager, a woman he identified only by the name “Gina,” testifying he had no phone number for her. Lee sometimes visited the spa to receive payments for rent, property taxes, maintenance fees and his share of profits if she neglected to send it to him. Lee said the payments were made to him by credit card or in cash but he could not recall how much of the estimated \$3,000 to \$5,000 he received monthly was strictly cash.

Lee told the Commission that he knew Gina had sometimes hired unlicensed therapists because she wanted to make more money. He testified that the unlicensed employees fled when Edison Township Health Department inspectors visited. Lee also testified that he had leased an apartment in Edison for some female workers to stay overnight because they had long commutes home and did not have their own cars. After the lease expired, Lee sometimes paid the bill for the women to stay for multiple nights at a nearby hotel.

Pine Spa 27 has been the subject of at least two prostitution investigations by the Edison Township Police. In 2018, Lee was among 11 people arrested and charged with prostitution-related offenses. The initial criminal charge against Lee for promoting prostitution was downgraded to a disorderly persons offense and later resolved with the payment of a \$500 fine. Edison Police again charged Lee in September 2023 for promoting prostitution, among other charges, after police executed a search warrant on Pine Spa 27. Police reports indicated three women employees were charged for offering to perform paid sex acts, and \$1,790 in cash was found on the premises.

4. Business owners lived lavish lifestyles despite having modest reportable incomes

The Commission found several owners of massage businesses in New Jersey lived lavish lifestyles that included owning expensive homes, financing luxury vehicles, and spending hundreds of thousands of dollars to gamble at Atlantic City casinos and to purchase cryptocurrency while reporting little to no taxable income to government authorities.

Joo Young Lee

Joo Young Lee told the Commission that his massage business-related ventures had not been profitable in recent years. While his reported income was modest, the Commission's review found his personal and business-related expenditures were extravagant. A review of the 2019 joint federal tax return filed by Lee and his wife showed the couple reported only \$70,200 in wages to the Internal Revenue Service and another \$20,174 in business income. That same year, Lee purchased a \$72,500 Porsche Cayenne in the name of his business, West Garden Nail and Spa. In the financing application for the luxury vehicle, Lee stated his annual income was \$250,000 with an annual bonus of \$30,000. In addition to the Porsche, Lee also paid \$925 monthly to Mercedes-Benz. Further, Lee and his wife own a home in Closter that was appraised at a market value of more than \$1.5 million when they purchased it in 2017. Financial records also showed Lee transferred over \$771,000 into a Coinbase cryptocurrency account in 2021.

Lina Jing

Lina Jing was associated with three massage businesses in northern New Jersey, where the Commission had received allegations of unlawful conduct, including prostitution and human trafficking. State records indicated Jing was the registered agent for Jade Spa in Bridgewater and 318 Sweet Dream Inc. in Edison. During surveillance at Reiki Palm Healing in Bridgewater, SCI agents observed her inside the facility.

State and federal tax records showed Jing and her husband, who filed their taxes jointly, made approximately \$33,000 annually in reportable income between 2017 and 2021. Yet, property records indicated she owned multiple high-priced residences in New York, purchasing a \$1.796 million home in Whitestone, NY, in February 2022 and another house in Oakland Gardens, NY, with an assessed value

of \$750,000. She also had a monthly Porsche payment of \$1,107. The mortgage records for the Whitestone property indicated at the time that Jing had over \$549,000 in liquid assets held in bank accounts.

Chun Yong Evans

State and federal tax records indicated Chun Yong Evans and her husband had a combined household annual income of less than \$50,000 between 2016 and 2020. Still, the couple deposited more than \$486,000 into personal and business accounts since 2019.

Evans also gambled away hundreds of thousands of dollars at Atlantic City casinos. Records obtained through subpoena at three casinos indicated Evans bet a total of more than \$750,000 at the Borgata, Golden Nugget and Ocean Casino Resort between 2016 and 2020.²⁶

Juan Zhou

During her management of two New Jersey massage businesses over the last twenty years, Juan Zhou has twice been charged with running commercial sex operations. She was charged with operating a house of prostitution at a massage business in Lawrenceville (Mercer County) in 2006; however, the charges were later dismissed after she entered into a Pretrial Intervention program. In 2020, Zhou was again charged with prostitution-related offenses at a massage business she owned, Oriental Natural Healing Center in Manalapan, after a police investigation found a female employee was living on site. Among the items police found during a search of the business were cash, a notebook, a bag of unused condoms and a bank deposit slip with Zhou's name. The charges were later downgraded to a disorderly persons offense.

Financial records indicated Zhou purchased four properties in New Jersey despite only reporting \$43,180 in wages to the State of New Jersey between 2013 and 2020, an average of \$5,397 annually. Yet, she bought a 3,400-square-foot home with four bedrooms for \$699,000 in East Brunswick in 2014 without a bank mortgage. In 2017, Zhou paid \$312,500 for a home later sold in 2020 for a \$37,500 profit. Zhou also spent \$745,000 to purchase two homes in Edison in 2018 that are now owned by her daughter. One of the homes, which cost \$405,000, was purchased in cash.

5. Strong local ordinances have successfully addressed some problems associated with illicit massage businesses

Some New Jersey municipalities have been proactive in outlawing some of the unsavory practices commonly found in illicit massage businesses. The Commission's review of local ordinances in approximately two dozen municipalities found several of the municipalities adopted ordinances that prohibit on-site sleeping quarters, long hours of operation, locked doors and sexual activity at massage facilities. The City of Bayonne in Hudson County prohibits massage businesses altogether. Further,

²⁶ Evans claimed during her testimony that she had allowed other people to gamble on her accounts at the casinos.

municipal authorities in Springfield Township in Union County will not issue a massage establishment permit if an applicant has been convicted of any first or second-degree criminal offense within the past five years, been convicted of a sex-related offense at any time or has had a massage permit or similar license suspended or revoked.

Edison Township is among the municipalities that have successfully driven out illicit businesses by adopting strict requirements for massage establishments. Since strengthening its ordinance in 2022, Edison officials have shut down approximately 19 illicit massage businesses and prevented another from reopening. To operate a massage business in Edison, operators must pay a \$5,000 licensing fee, must report all convictions for criminal offenses – including petty and disorderly offenses for prostitution – and may not have locked exterior entrance doors during open hours of operation.²⁷ The ordinance also outlines the conditions that could lead to the revocation of the license, such as operating in violation of the ordinance, fraud or denying access to local officials seeking to conduct a property inspection. A licensed massage business in Edison can be closed immediately if local officials discover unlicensed therapists working on-site.

The updated requirements for massage establishments resulted from a collaboration between the mayor and members of the governing body, police, zoning and health department officials. In Edison, health personnel conduct inspections for compliance with the local ordinance, and police accompany inspectors if requested. Likewise, police sometimes request health inspectors to join them when visiting questionable massage businesses as part of criminal investigations. Along with conducting undercover investigations into illegal activity at spas, Edison police have also successfully uncovered unlawful conduct through financial investigations into the businesses and their owners.

IV. Referrals

Pursuant to N.J.S.A. 52:9M-1 to -20, the Commission is required to refer any findings or evidence of potential criminal wrongdoing to the State Office of the Attorney General. The Commission also routinely makes referrals to other local, state and federal government agencies concerning certain findings and evidence during its investigations for any action that is deemed appropriate. In this investigation, the Commission’s findings were referred to the following agencies:

- United State Department of Justice, Federal Bureau of Investigation
- New Jersey Office of the Attorney General, Division of Criminal Justice
- New Jersey Office of the Attorney General, Human Trafficking Unit
- New Jersey Office of the Attorney General, Division of Consumer Affairs

²⁷ The municipal code only charges \$500 annually to businesses, such as beauty salons, that offer massage services as a peripheral service.

- The Somerset County Prosecutor’s Office
- The Edison Township Police Department

V. Recommendations

The SCI’s investigation uncovered a number of ways the State’s regulation of massage businesses, its licensing of massage therapists and New Jersey’s laws and public policy regarding prostitution and human trafficking can be strengthened. Accordingly, the Commission makes the following recommendations for statutory and regulatory reforms:

1. Bolster and Expand the State’s Oversight of Massage Therapy Businesses

To create more uniform oversight for the businesses, establish standard rules for their operation and mandate accountability, the Commission recommends the following:

- ***Employ a Comprehensive State Licensing Mechanism for Massage Businesses***

The Commission recommends that the State replace the employer registration system with a comprehensive licensing mechanism for massage businesses and owners similar to the one used by the New Jersey Board of Cosmetology and Hairstyling for obtaining shop licenses, which requires an application process and board approval. Under that licensing structure, licenses are specifically required for a proposed new business when it is relocated or if there is a new owner.

Massage establishment applicants should be required to provide sworn information regarding the finances related to the business, as well as the personal finances of the individual or the owner or operator of the entity. It is also recommended that massage business owners be required to provide immediate sworn certification to the State whenever a sale or transfer of any ownership interest occurs. Failure to provide such notification of changes in ownership should carry significant penalties for business owners. Further, an electronic uniform application should be created to allow submissions to be filed simultaneously with the State and the municipality where the business is located.

- ***Bolster the State’s Enforcement Authority***

The State should also bolster DCA’s enforcement authority for massage businesses, either by providing additional resources for its enforcement bureau, coordinating with and empowering municipal inspectors and law enforcement personnel, or establishing another entity within state government that would primarily respond to massage business conduct. Among the enforcement powers that should be authorized:

- The development of a system with graduated financial penalties against businesses and owners for violations, and the authority to suspend or revoke business licenses.
- Any refusal to grant any inspection officer access to the premises or otherwise failing to cooperate with any such officer should be grounds for the immediate suspension or revocation of a business license, as is already the case under some municipal ordinances.
- Require municipal personnel to report any violations found during health, building code and fire inspections of massage businesses to the State within a set duration.

- ***Prohibit Specific Common Questionable Business Practices***

The Commission recommends that the Board of Massage and Bodywork Therapy develop and adopt additional regulations for operating massage businesses in New Jersey. These guidelines should delineate circumstances and conduct considered unacceptable and violating licensure. Guidelines should also contain potential penalties associated with violations of the rules or laws.

- Define the conditions that if found by inspectors would result in the immediate closure of the business, such as unlicensed employees giving massages, evidence of sexual activity on the premises or workers living on site.
- Prohibit particular practices that enable illicit massage businesses to hide in plain sight, including covered or blackened windows and establishments that operate far beyond regular business hours.
- Additional regulations should include limiting licensure of these businesses near schools and residences, requiring disclosure of all employer-sponsored transportation services and banning anyone under the age of 16 from being in a massage parlor without the written consent of a parent or guardian.

- ***Develop a Statewide Database for Licensed Massage Businesses***

The State should expand and supplement the Division of Consumer Affairs' public database with additional information about all licensed massage therapy businesses in New Jersey. The database should include information about all owners and operators of a particular business, administrative or civil actions concerning the business and its owners, and any known pending or substantiated violations of State and municipal regulations. Such information would not only enable the public to know if a specific massage establishment was legitimate, but it would also allow for better recordkeeping, promote greater transparency and permit the State and municipalities with these businesses to report and better track violations, fines and other penalties.

As part of the database expansion, the State may wish to consult the one maintained by the New York City Department of Health and Mental Hygiene, ABCEats, which allows the public to look up

restaurant inspection results. That database enables public searches for a specific restaurant name or by inspection letter grade, type of food, borough or address, and a list of substantiated violations for each business.

- ***Clarify Municipal Authority Over Massage Businesses***

During the Commission's inquiry, some municipalities reported confusion about their ability to license, regulate and inspect massage businesses within their jurisdictions. To alleviate any confusion, the State should make it clear to municipal officials, through a written statement, policy or other communication, that they have the authority to impose their own more stringent rules and requirements on massage businesses, as well as penalties and fines. The Commission found numerous municipalities have enacted ordinances prohibiting specific business practices commonly found in illicit massage businesses. Some preclude applicants with criminal convictions for sex-related offenses or enable municipal personnel to shutter establishments if prohibited conduct is discovered.

- ***Craft Strong Local Ordinances for Massage Businesses***

New Jersey municipalities should consider crafting local ordinances to prohibit misconduct often associated with illicit massage businesses and to place rigorous standards on their operation to ensure proprietors are operating legitimate enterprises. Among the prohibitions adopted in some municipalities were for on-site sleeping quarters, long hours of operation, locked doors, sexual activity and other misconduct associated with illicit massage businesses. Other towns have increased the licensing fees, banned individuals with criminal convictions for sexual-related offenses or have prohibited the businesses altogether.

2. Improve the Massage Therapist Licensing Process

The Commission found that the State's current process for obtaining a massage therapist license creates barriers for entry-level workers and incentivizes bad actors to manipulate the system. Licensing regulations should be more accessible and equitable. Further, as a condition of licensure, all massage and bodywork therapists should be educated on human trafficking and its prevalence within the industry.

- ***Create a Provisional Massage Therapist License***

To make the profession more accessible to entry level workers and to discourage bad actors from profiting by selling fake credentials from illegitimate massage therapy schools to those seeking licensure, the Commission recommends the regulations be amended to allow individuals to work under a provisional license while completing the education requirements.²⁸

²⁸ The National Certification Board for Therapeutic Massage and Bodywork has revoked or denied certifications for numerous institutions for serious infractions, including but not limited to, false transcripts, false attendance records, and fictitious courses for individuals seeking massage licenses in New Jersey.

- ***Expand Testing Options***

To expand access and make it more affordable, the Commission recommends that the State consider accepting additional tests offered in other languages beyond just English or Spanish and shift some of the costs associated with obtaining licensure to when the therapists are actively working within the industry and have income.

- ***Improve Training and Awareness of Human Trafficking***

All massage and body work therapists should be required to undergo training on human trafficking as part of the initial licensure or renewal process. Licensed massage business owners or operators should also undergo the same training. At a minimum, such training would educate these individuals on the indicators of human trafficking and on how to report suspected trafficking to the proper authorities.

3. Facilitate and Strengthen Law Enforcement Investigations into Human Trafficking

The Commission recognizes that investigations into human trafficking are complex, often multi-jurisdictional and may require specific training and resources that many law enforcement agencies and local police departments lack. However, the Commission is putting forth several potential reforms that could improve the process and aid investigators and prosecutors in pursuing human trafficking cases. In addition, the Commission is proposing amendments to criminal laws that impose more substantial penalties on individuals who patronize or profit through prostitution. Those reforms would serve as a deterrent and may be beneficial in addressing the broader issue of human trafficking.

- ***Reexamine the Guidelines for Investigating Human Trafficking Cases***

During the investigation, the Commission found some law enforcement methods to uncover human trafficking had the potential to exploit the victims further. To address this concern, the Commission recommends that the Office of the Attorney General review and consider updating statewide policies for identifying, investigating and prosecuting human trafficking cases. New Jersey's current guidelines regarding best practices and procedures for conducting criminal investigations into human trafficking were created under an Attorney General Directive in 2012.²⁹ Among the areas that should explicitly be addressed:

- Explore whether requiring the use of audio and/or visual recording devices by law enforcement personnel during undercover investigations would aid in protecting the integrity of these investigations and in ensuring that human trafficking victims are not being mistreated or re-victimized. To the extent that law enforcement officers use audio

²⁹ AG Directive No. 2012-2

and/or visual recording devices in undercover investigations, strict policies and procedures regarding the dissemination of any such recordings must be implemented for the protection of human trafficking victims.

- Involve prosecutors in investigations earlier to enable them to work hand-in-hand with law enforcement personnel rather than only at the end. By partnering at the start, prosecutors could address various legal challenges when they arise instead of when the active investigation has largely concluded.

- ***Reform and Strengthen Criminal Laws Concerning Prostitution***

Legislators should update New Jersey criminal law to strengthen the penalties for individuals convicted of purchasing commercial sex services, as well as the business operators and other individuals found to have promoted and profited through prostitution.

- Legislators should consider whether the criminal penalties associated with engaging in prostitution as a patron, which is a disorderly persons offense for first-time offenders, should be upgraded.³⁰
- The promotion of prostitution charge should be upgraded to a second degree crime or require that it carry a presumption of incarceration.³¹
- The charge of compelling another to engage in prostitution be upgraded from a third-degree crime to a second- degree crime or that it carry a presumption of incarceration.³²
- To better serve as a deterrent and to address the facilitation of prostitution involving multiple businesses and coordinated networks, state legislators should consider whether certain egregious conduct should face additional punishment under a new “leading a criminal prostitution network” offense, akin to the act of the second-degree crime of leading an auto theft trafficking network.³³ Although state law criminalizes some of this conduct within the “promoting prostitution” offense, the SCI found the charge is frequently downgraded, often resulting in probationary sentences and fines.³⁴

- ***Modify Eligibility Requirements for Court Diversionary Programs***

³⁰ N.J.S.A. 2C:34-1(b)(1); N.J.S.A. 2C:34-1(c)(5)

³¹ N.J.S.A. 2C:34-1(c)(4)

³² N.J.S.A. 2C:34-1(b)(5); N.J.S.A. 2C:34-1(c)(3)

³³ N.J.S.A. 2C:34-1(a)(4)

³⁴ N.J.S.A. 2C:20-18

The Commission recommends that individuals accused of benefiting from prostitution crimes should be disqualified from court diversionary programs, such as the New Jersey Judiciary's Pretrial Intervention program (PTI).³⁵ This prohibition should apply to supervisors, exploiters or those who otherwise benefit financially from others engaging in prostitution.

4. Study Alternate Methods to Combat Human Trafficking and Other Trafficking-Related Issues

During this inquiry, the Commission identified several issues related to human trafficking that were beyond the bounds of its investigation yet warrant further examination. Among the issues that merit evaluation:

- Review whether broadening affirmative defenses for human trafficking victims is appropriate. New Jersey law currently enables human trafficking victims to present evidence that, if found to be credible, could negate criminal liability for certain specific offenses.³⁶ Other states, such as New York and Oklahoma, afford additional protections to ensure that human trafficking victims can cooperate with law enforcement without fear of criminal exposure.
- The public awareness signage posted by the Commission on Human Trafficking in various establishments throughout New Jersey, including massage businesses, should be published in Chinese and Korean. Pending legislation in the Assembly, Bill A1941, proposes expansion of the posting of the signage in more locations.

VI. Conclusion

In sum, the Commission found pervasive questionable and potentially unlawful conduct, including indicia of human trafficking, at massage establishments throughout the state of New Jersey. To combat trafficking and other illicit activities that are prevalent within the industry, the Commission urges the adoption of the regulatory and legislative reforms outlined in this report to bolster oversight of massage businesses, hold owners accountable for corrupt practices and to protect the women often targeted and victimized by traffickers.

³⁵ In the alternative, such crimes should carry a presumption against admission into PTI, similar to other crimes such as domestic violence offenses or certain crimes committed by public officers, enumerated in N.J.S.A. 2C:43-12(b) (2).

³⁶ N.J.S.A. 2C:13-8(c); N.J.S.A. 2C:13-9(b); N.J.S.A. 2C:34-1(e)