With Public Housing Under Attack, Can An Ex-Lehman Banker Save New York’s Last Affordable Apartments?

Bigger than Boston, dicier than Detroit, NYCHA is a city unto itself, and John Rhea is its mayor—and traffic cop and garbage man and teacher.

By Matt Chaban 9/04 8:15pm

Stepping off the elevator on the 12th floor of 250 Broadway, you pass by a dozen photographs of idyllic, almost bucolic housing projects. The dogwoods are in bloom, matching the pink matting within the frames. That the pictures are a bit faded only adds to the utopianism of the scenes: families frolic in green grass courtyards, the sun is always shining.

These days, the picture is far less rosy: Apartments are overcome with toxic black mold, riven with cavernous leaks, overrun with rats, sometimes all three and then some. Repairs? Fuggetaboutit. Those will be years away. And that's just inside; outside, it's a war zone.

Or so the city's tabloids would have you believe.

But the Housing Authority—or NYCHA, as almost everyone calls it, pronouncing it like some
bureaucratic sneeze—represents much more than those run-down apartments we read about, of which there are fewer than the coverage suggests.

With more than 420,000 residents, NYCHA has a population that surpasses Atlanta. Factor in the 232,000 people who receive Section 8 vouchers, which NYCHA oversees, and it is larger than Denver, Seattle or Boston. The difference is that this mythical city would be made up of only the very worst neighborhoods—a world of Brownsville and Stapletons and Mott Havens without the Park Slopes and Upper East Sides to support them. This is both NYCHA’s biggest problem and its greatest virtue, a blessing and a curse passed down from Robert Moses, Fiorello LaGuardia and Franklin Roosevelt. Despite the eternal outcry over NYCHA’s shortcomings, most agree that the neighborhoods the projects inhabit would be even worse off without them. Who else is going to provide so many residents with affordable, if not always attractive, housing, in a city that has less and less?

Which is why the agency’s decline is so frustrating to so many. None more so than John Rhea, the man Mayor Bloomberg charged three years ago with fixing the problems—so many problems spread among so much real estate: 178,000 apartments in 334 complexes scattered across all five boroughs.

Of average height and trim build, Mr. Rhea still dresses like he’s headed to work at his last job, as a managing director at Barclays. On the morning of a two-hour interview with The Observer in the chairman’s conference room (as the sign outside the door said), his suit had a fine pinstripe. He wore a white shirt and red tie patterned with tiny Barrel of Monkey monkeys, hand-in-hand.

While he refuses to believe NYCHA’s troubles are intractable, he admits they are grave. “To me, the problem with NYCHA is gridlock. It’s no one actor but things piling up,” Mr. Rhea said. “It starts with an accident, then people are blocking the intersection, one truck is sticking out a little too far so one lane is jammed down. Everyone is trying to merge into fewer lanes. The traffic lights aren’t changing.” Mr. Rhea sees himself as public housing’s traffic cop.

As if trapped in Bizarro World, NYCHA’s story runs counter to the city’s resurgence of the past two decades. When New York was in decline, the housing authority remained, thanks to federal largesse, a shining beacon of hope in the city even as everything around it was consumed. Now the situation has flipped. As the city swells, NYCHA has been suffering, thanks largely to neglect in Washington, where almost all of the authority’s funds come from.

In many ways, the debate surrounding NYCHA mirrors those raging throughout the country over the role of government in society.

“It was the place to be, everyone was always hanging out at our place,” said City Councilwoman Rosie Mendez, who grew up in the Williamsburg Houses, New York’s second oldest housing development (the complex was even made a city landmark in 2003). “Even when the city started to get really bad in the ’70s and ’80s, NYCHA still had it all.”

Now representing the East Village and the Lower East Side, Ms. Mendez has one of the largest tracts of public housing in her district. Since joining the council in 2006, she has chaired its public housing committee. She is a fierce advocate and frequent critic of NYCHA, but she is also quick to credit Mayor Bloomberg for supporting the authority when few others will.

“When John Rhea came in, I was skeptical,” she said. “I didn’t think we needed a banker, but I have to say, he’s done a good job. We’re seeing progress, but I don’t know if it’s enough. Given
the situation we're in, I don't know if any one person could fix it.”
NYCHA, even with its massive portfolio, is held to a higher, perhaps impossible, standard. “Even in a perfect world, NYCHA would still have its problems,” said Julia Vitullo-Martin, director of the Center for Urban Innovation at the Regional Plan Association.

Starting in the Reagan era, federal funding, which makes up the vast majority of NYCHA’s non-rental income, began to diminish. Even during the Clinton administration, with welfare reform a national issue (and Andrew Cuomo running HUD), funding waned and talk of privatization was rampant. The situation deteriorated drastically during the Bush years, with federal funds falling to 69 cents on the dollar. NYCHA enjoyed full funding in President Obama’s first year in office, as well as $424 million in stimulus funds—the largest public housing grant awarded in the country. Since then, it has fallen by the wayside due to Congressional intransigence and presidential ambivalence.

“Obama has been hostile to public housing, which surprised a lot of people, since he came up working in it,” said John Arena, a professor at the College of Staten Island and housing expert.

“It is time for New York to realize we have to fight for what is ours, but we also have to be able to stand alone,” Mr. Rhea said. “We have too much at stake to rely on anyone but ourselves to make do.”

Two thousand, six hundred apartment buildings—2,597 to be exact, built in neat little clusters in almost every corner of the city over the course of six decades. From a plane, or Google Maps, they are plainly visible from above, shocks of green and brown, big gaps in the city’s otherwise uniform street grid. They are pinwheels, crosses, long slabs of concrete and brick lined up like dominoes.

Such projects were once sprouting up across the country, but more and more, New York stands alone. In Chicago, Mayor Richard Daley demolished one notorious housing project after another, from Cabrini Green to Robert Taylor, names synonymous with urban blight and bureaucratic failure. He replaced them with new developments that lined the pockets of connected developers but housed half as many residents. In Atlanta, Philadelphia, St. Louis, Newark, New Orleans, the story has been the same.

“It’s a battle that’s still being fought here in New York, whereas it’s been given up in most every other big city,” said Victor Bach, a senior housing analyst at Community Services Society of New York.

*Williamsburg Houses, the city’s second development (Skyscraper City)*
Mayor Bloomberg is typically viewed as out of touch with the needy. After all, he called the city's homeless shelters “pleasurable” last month. Nonetheless, he has done more for public housing than almost any other mayor in the country. He has invested more than $100 million into the housing authority and spent political resources on NYCHA when necessary, including drafting John Rhea to run the agency. Granted, his predecessors still received ample federal funding and could basically ignore the housing authority.

Mr. Rhea’s job is not unlike that of other outsiders recruited by the mayor. “NYCHA needed a change agent, and I think I have experience in being an insurgent—you know, going into an organization to make substantial change happen,” he said. “I also didn’t come with a set of preconceived notions about what was right or wrong structurally or strategically at NYCHA.”

Mr. Rhea grew up in inner-city Detroit, in a mixed-income neighborhood where he walked by housing projects and rundown homes on a regular basis. His father ran his own office furniture supply business, his mother was a medical technician He came east for school, attending the honors program at Wesleyan, where he majored in social studies. While attending Harvard Business School, he became friends with Barack Obama, who was then at the law school. He then went to work for the Boston Consulting Group in Chicago for three years, where the two remained friendly. He hosted the future president's first fund-raiser in New York.

Mr. Rhea came to the city to work at JPMorgan Chase, where he arranged more than $50 billion in deals, and then went to Lehman Brothers, where he rose through the ranks to become head of global consumer retail group. He sees himself as a business facilitator, rather than a money-maker (though there was plenty of that too). It was this skill that attracted the Bloomberg administration, along with his management experience at both firms.

When Lehman collapsed, Mr. Rhea found himself with a job at Barclays when it bought up Lehman’s investment banking division. But he had long felt called to public service, and the moment seemed right. He considered heading to Washington, but when word got out he was in the market for a public-sector position, the Bloomberg administration approached him first.

He said that the banking crisis played no role in his decision to leave Wall Street, and someday he could even go back.

“Rightly or wrongly, I didn’t personally feel guilt. I wasn’t a real estate banker, I didn’t put together complicated derivatives, I didn’t sell subprime mortgages, I didn’t have any role at all in housing,” Mr. Rhea explained. “As an American, watching the financial debacle that had many culprits—the financial industry being one, but government policy being another, and just excess, sheer excess in the economy—I didn’t feel guilt but I certainly felt responsibility. I don’t know how any American can watch what we went through and not feel some level of concern for the fellow citizens who were truly impacted.”
Mr. Rhea’s financial experience has come in handy at the cash-strapped NYCHA. “Washington has been very clear in saying that there are $30 billion of unmet capital needs for public housing nationally and it doesn’t have the capacity to fund them,” Mr. Rhea said. “Therefore, housing authorities have to think about other ways of availing themselves if they want to maintain their buildings—other ways of attracting capital, and having conversations with residents and advocates about those options, and how we pursue them and what the risks are.”

One of the first projects Mr. Rhea tackled was creating an office of public-private partnerships, a controversial move. Public housing, the bedrock of the so-called safety net in New York, is considered sacrosanct in advocacy circles. Any private involvement, it is feared, will poison the well. How long until everything has been sold off?

Mr. Rhea insists the housing advocates have nothing to fear, and if they are serious about rebuilding NYCHA, they will have to be creative. When an idea was floated internally to possibly put billboards on some of the housing project’s towers, it was exposed in the Daily News and quickly shot down. The outcry was understandable, but what if it meant a new security system or money to reopen a community center or fix up a basketball court?

“What I find incredibly amazing is that the press can say NYCHA isn’t doing anything,” Mr. Rhea said. He said he has proposed “some of the most intransigent, kind of radioactive” ideas, about which NYCHA has been totally upfront. “We’ve put them out there, we’ve said, ‘Here’s what we plan to do about them,’ we’re fully transparent about it, and we’re willing to have a conversation about what are the implications of what’s being proposed.”

Mr. Rhea’s most impressive victory was the federalization of thousands of units that had been cast off in the previous decade by the city and state. Completed at the end of 2009, it was a reminder that Washington was not the only political culprit. In the late 1990s, Gov. George Pataki offloaded some 21,000 units of public housing the state had built and maintained for decades. The city pulled the same trick in 2002 with a number of developments it controlled, following a devastating blow to the budget as a result of 9/11.

The vast majority of these units had no federal support, thousands of apartments drawing against the rest of NYCHA’s funds. Through a deal with HUD, federal matching funds, however insufficient, are now provided for the entire NYCHA portfolio. The federalization deal also brought in an injection of $400 million in public and private financing, a never-before-attempted partnership meant to modernize many of the most dilapidated developments.
“Standing up at the podium with the secretary of HUD and the mayor, the federalization deal being announced and knowing what that meant, that was a huge victory,” Mr. Rhea said. “It shows we can get things done.”

Still, Mr. Rhea’s job has been far from easy. Another of his marquee achievements is Plan NYCHA, essentially a strategy outline subtitled “A Roadmap for Preservation.” At 45 pages, it took more than two years to create, drawing lukewarm reviews when it came out in 2011.

“It’s a scrapbook,” remarked Mr. Bach. “It mentions some important policies, but it doesn’t go into them at all. It devotes most of its space to pictures of resident participation.”

Mr. Rhea defends it as more of a vision statement than a detailed blueprint. “You can’t give people the thousands and thousands of pages of research and documentation that we’ve done and expect them to digest it,” he said. “This allows people to help us guide individual projects moving forward.”

The same goes for the Boston Consulting Group report commissioned by the chairman that has led to some of the harshest media attention on the authority in memory. Begun in March 2011, the report was due to be completed the following September at a cost of $5 million. The study was extended through the following April, and the price tag doubled. In part, this speaks to the complexity of NYCHA—it takes 12,000 employees to manage that city of half a million—but also to a lack of political awareness on the part of Mr. Rhea. BCG is known for its experience in advising government agencies, but it also happens to be where the chairman worked after business school. The Daily News got wind of the report in June and began to demanding its public release. Mr. Rhea demurred.

“If he had public-sector experience, John would have known the report was going to get out, whether or not he wanted it to,” said one City Hall housing expert. “He’s focused on the product, not the politics, and that has its perils.”

Smelling blood, the paper began digging around in the authority and came up with a damaging story. NYCHA had, in the words of the tab, been “sitting on” nearly $1 billion in federal money dating back to 2009.

As bad as that sounded, it was not exactly accurate. In fact, 90 percent of the $950 million had been allocated already, and while $485 million had yet to be spent, that was not unusual. Between appropriations, requests for proposals, and approvals at nearly a dozen different
organizations in Washington and New York, it can take up to three years for HUD funds to make their way from Capitol Hill to the streets of Canarsie or Kingsbridge. Furthermore, $540 million the News was complaining about had only been announced in the past six months to a year. Never mind that those numbers had been provided directly to the paper by NYCHA's public affairs office as a sign of progress.

“That kind of lack of detail leaves a reader with the impression that if you’re Mrs. Smith and your ceiling is falling in, that NYCHA’s not going to do what it’s supposed to do, when it has all of the resources it needs to do that,” Mr. Rhea complained. “When you don’t say you need 6 billion, and you only have a billion, you leave out the fact that even if we snapped our fingers tomorrow and spent it all in the most efficient way, you still have five out of six people still upset about the quality of their conditions.”

To make matters worse, the tab ran accompanying pieces showing apartments full of black mold and rat holes. As bad as that is, the argument was disingenuous. Small repairs come out of the operations budget, while the billion dollars at issue was in capital funds. It is the difference between fixing a leaky ceiling and repointing the bricks in an entire complex to protect against weather damage. Not that NYCHA could rob from capital funds to pay for regular maintenance anyway. It is forbidden to dip into one pot to fund the other, and doing so could actually lead to serious sanction in Washington. A number of council members had to hold a hearing on the steps of City Hall to praise Mr. Rhea, fearing the negative publicity would imperil NYCHA. “That is my gravest concern, the message this will send to Washington,” Ms. Mendez said. “They treat us badly enough as it is.”

At least a few housing advocates believe Daily News owner and publisher Mortimer Zuckerman is working on behalf of the real estate industry to cripple the authority and thereby open up its prime land (along the East River, in Chelsea, on the Upper West Side, in Williamsburg and Red Hook) to development. Nevermind that Mr. Zuckerman exclusively develops commercial real estate.

Another prominent example of the gotcha news involves $42 million the City Council allocated for security cameras in 2009. While desperate for more funding, Mr. Rhea decided to suspend the council contributions to determine exactly the best use for them. In his view, many developments had security systems in place, but they were not having an appreciable impact on crime. He created the Safety and Security Task Force to meet with residents and better understand the issue. “John Rhea decided to freeze our money,” Councilwoman Mendez said. “I didn’t like it, but it was the right thing to do, and now, hopefully, we’ll get the right cameras, the right security, for the right developments.” Instead, the News lamented a rise in crime while NYCHA was developing the new security plan.

While trying to have the BCG report released, the News complained that the 87-page document cost $124,000 a page. “That’s just stupid,” Mr. Rhea said. “How about we talk about how the report could save NYCHA $70 million a year. It pays for itself seven times over in the first year.”

Mr. Rhea’s favorite story was the one about the $325,000 he spent for a two-day conference at the Javits Center that brought every NYCHA employee together to share their thoughts about the agency—an event painted as a management-driven boondoggle. To Mr. Rhea, it was part of a necessary refocusing. “At $30 a person, I would say that wasn’t a waste of money, to be able to hear the ideas and concerns of every one of my employees,” Mr. Rhea said.

“You can worry about the optics or the politics, or if you look like you’re doing a good job,” he continued. “We don’t need that. We don’t need another person just going through the motions. We don’t need more pageantry. We’re looking to make a difference.”
Is there enough time, resources or authority to make a difference? Despite widespread praise from housing advocates, many question whether or not Mr. Rhea can truly effect the change he speaks constantly of. After decades of disinvestment, no one person could turn around NYCHA in four years.

Still, there are advocates who argue the mayor could be doing more to support his chairman. Mr. Bach, the housing analyst at the Community Services Society, points to the billions of dollars the city funnels every years to private developers through the city’s Economic Development Corporation, the millions more given to parks, museums, even new stadiums. “There’s absolutely no comparison, and there’s no comparable attention and support to the New York City Housing Authority,” he said. How much time has the mayor spent promoting a ban on soft drinks this year? How much time has he spent on promoting NYCHA? It’s a question of political capital, Ms. Vitullo-Martin of the Regional Plan Association said.

Yet political capital does not always get results either. Consider education, an area on which the Bloomberg administration has focused tirelessly. “The solutions are not always easy, clear, or even possible,” Ms. Vitullo-Martin said.

Perhaps the experience of another public authority might guide NYCHA back on the right track. “In the 1970s, the MTA was on the verge of collapse, and in the ’80s, it really executed an amazing turnaround,” said Fred Harris, NYCHA’s new director of development, who led the MTA’s real estate portfolio at the time before spending two decades in private development. “I think NYCHA is at a point where it needs to make the same transformation.”

The comparison may be apt for another reason. Despite all the improvements at the MTA, everybody still complains about it.

Last Thursday, without a cloud in the sky, John Rhea stepped out of his city-issued Toyota hybrid SUV and onto the leafy quad of Baisley Park Houses in Jamaica, Queens. He had on a navy suit, no pin stripe, light blue check shirt and matching tie. Local Councilman Reuven Willis, who grew up in the nearby South Jamaica Houses, had recruited Kars 4 Kids, a North Jersey Jewish charity, to hand out backpacks to families from the projects. “It is critically important these kids have the resources they need to succeed on the first day of school,” Mr. Rhea said, touting yet another of his public-private partnerships.

NYCHA had paid to rebuild the project’s community center three years ago, but it so far lacked the funds to open it. Instead, money would soon be spent on those new cameras, after two years of debate, and just in time—a police officer had been shot less than a month earlier. Mr.
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Willis went up the block to show off a basketball court that had been recently refurbished with a new coat of paint and a good weed whacking. It took 16 months, but it had been decades since anything had been done, and a totally new court was on the horizon, so he remained excited. “He came in, he met with my people, asked what we wanted, and he delivered,” Mr. Willis said.

Scaffolding encircles many developments, suggesting repairs when there are none. It frustrates tenants, according to Mr. Willis, but he can live with it as long as more important problems are being tackled. Public housing, a work in progress.

“Growing up, did I know the NYCHA chairman? No. But everybody here does,” Mr. Willis said, gesturing around the quiet street. And it was true, he was getting hugs and fist bumps from many in the crowd, though also some tough questions about the community center. Mr. Rhea promised he was hard at work on the problem.

As Mr. Rhea rushed off to one more backpack giveaway, before a day of meetings in the city, he paused to consider the work he was doing. “I don’t want you to think I’m all pie in the sky,” he said. “I know we’ve got a lot left to do, and the challenges are huge in turning this around. We have another 15 months to run hard to put a bunch of runs on the board, to execute against the plan.”

He looked back at the kids holding their new backpacks aloft and smiled. “I wish this was the only part of my job.”

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