CEOs paid to live in second homes as:

Bush administration slashes funds for public housing

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The Bush administration has announced plans for wholesale cuts in the public housing budget for the coming year. More than 150 programs are to be cut. According to a *New York Times* report, support for subsidized housing could be slashed by $480 million, or 14 percent of the $3.4 billion federal budget for day-to-day operations.

Amid the news of brutal cuts to housing for the poor, another report has highlighted a corporate practice of CEOs having all expenses paid on second homes as a lucrative perk, added on to multimillion-dollar compensation. In housing, as in every other essential facet of American life, social inequality is rising to unimaginable levels.

Housing advocates warn that the planned cutbacks will force local housing agencies to close buildings and fire maintenance workers. According to the Council of Large Public Housing Authorities, public housing is home to more than 2 million seniors, people with disabilities, and low-income families with children.

With the Bush cuts, the housing market for this segment of the population, already tight as a drum, will become even less affordable. Homelessness will increase from the record levels it has reached in many parts of the country.

In the state of Illinois alone, 77,000 families are on waiting lists for public housing, and the numbers are expected to grow. As Julie Dworkin, policy director at the Chicago Coalition of the Homeless, put it, “There is a critical shortage of affordable housing. And many low-income residents are at great risk of becoming homeless because they can’t afford the housing they are living in.”

Besides the housing authority reductions, a grant program to construct mixed-use buildings in blighted areas is slated for elimination altogether. Over the last decade, the grants have provided $5.5 billion to replace or redevelop 100,000 units of distressed housing. Not only is the Bush administration proposing zero funding next year for the program, known as Hope VI, it is also proposing to take back the $143 million already allocated in fiscal 2005.

The new cuts are implemented amid a housing shortage that has reached crisis proportions and is getting worse. A Center for Public Policy study commissioned by the leading mortgage investment company Freddie Mac provides a measure of the crisis.

Researchers found the number of families spending 50 percent or more of their income for housing costs rose from 2.4 million in 1997 to 4.2 million in 2003. The rule of thumb for financial planners and mortgage bankers is that no more than one third of income should be spent on shelter. The percentage of homeowners and that of renters over the halfway mark both rose significantly.

The report states 85 percent of working families have to struggle to pay for housing. Fifteen percent live in conditions considered physically dilapidated. As the lead researcher for the report, Barbara Lipman, stated, “These new findings help shed light on a troubling trend across America—working a full-time job does not guarantee families a decent, affordable place to live.”

While the Bush administration, backed by congressional Democrats, slashes already inadequate housing subsidies for the working class, the corporate elite of the country worry about how to maximize their companies’ subsidization of their opulent lifestyle. A report in the May 6 edition of the *Wall Street Journal* examines how corporate chieftains not only live in luxury unimaginable to the average American, but also write off the costs as a business expense.

An examination of corporate proxy statements reveals a number of examples of all-expenses-paid corporate housing for CEOs. Time Warner's chief executive Richard Parsons, a resident of New York City, receives $4,000 a month to pay for his second apartment in Los Angeles, no matter how infrequently he occupies it. The allowance does not cover utility and maintenance costs, for which the company additionally reimburses its CEO.

According to Time Warner's proxy, the payments are "in lieu of reimbursing Mr. Parsons for his hotel business expenses in Los Angeles." The perk has cost the company a total of $175,000 since the benefit was granted in January 2002.

Not to be outdone, Walt Disney provides its longtime CEO Michael Eisner a $10,000 monthly allowance to contribute toward the cost of his secondary residence in New York City. He reportedly owns a two-bedroom apartment that he inherited from his late mother located in the exclusive Hotel Pierre on Fifth Avenue.

Disney's proxy statement justifies the subsidy by the fact that "hotel expenses would have exceeded the amount of the allowance." A deluxe room with a king-size bed at the Pierre rents for $595 a night. Breakfast runs on average $40 a day. In a footnote no doubt meant to reassure shareholders, Disney comments that Eisner bears the full burden of any expenses "which exceed the amount of the monthly allowance."

Faced with a very public stockholder revolt aimed to oust Eisner last year, Disney's board of directors not only voted to let him keep his job, it awarded him a salary and bonus of $8.25 million. One report puts Eisner's total take in salary, bonus and stock options at $1 billion since he reported to work at Disney in 1984.

Another entertainment conglomerate ,Viacom, owner of CBS, MTV, VH1, Infinity Radio and Paramount Studios, posted its proxy statement in mid-April. The release caused a stir because it revealed the amount of compensation paid to Viacom's three top executives. It added up to a mind-numbing $160 million, stunning even within the parameters of today's unbridled corporate greed. The amount was considered all the more remarkable considering last year's drop of 18 percent in the company's stock price.

Buried in the fine print of the proxy were housing allowances for Leslie Moonves and Tom Freston. They were newly promoted to division presidents, in preparation for splitting the company into two separate publicly traded entities. In addition to more than $50 million in salary, bonus, and stock options, Moonves, based in Los Angeles, was reimbursed $105,000 for the nights he stayed in his New York City apartment rather than in a hotel. Freston, based in New York, turned in a more modest $43,100 in expenses for his business use of his home in Los Angeles in lieu of renting a hotel there. He also was credited with more than $50 million in salary, bonus and the value of stock options.

Corporate reformers are chagrined that CEO compensation packages and perks continue to escalate to stratospheric levels in spite of various post-Enron proposals to rein them in.

"It's ridiculous to pay [executives] to stay in their own beds," Ann Yerger, executive director of the Council of Institutional Investors, a group representing more than 140 pension funds with assets exceeding $3 trillion, told the *Wall Street Journal*.