

Former Lehman Brothers banker to head New York City's Housing Authority

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New York City's billionaire mayor, Michael Bloomberg, has appointed a fellow Wall Street veteran, former Lehman Brothers top executive John B. Rhea, to head the New York City Housing Authority (NYCHA), the largest administrator of public housing in the United States.

Rhea, 43, managed strategy and budget for the failed investment bank. After it collapsed in September, he continued to work for its new owners at Barclays. Previously, he had worked for JP Morgan Chase "where he completed more than \$50 billion worth of transactions overseeing corporate finance as well as mergers and acquisitions," according to the *New York Times*.

Among Rhea's biggest deals was a merger involving the Reynolds tobacco company and a manufacturer of smokeless tobacco products. He has no experience whatsoever in managing housing, public or otherwise.

Rhea served on Barack Obama's Presidential Campaign, working as a "bundler," gathering more than \$500,000, primarily from Wall Street. (Individuals working in Securities and Investments gave more than \$8 million to the Obama campaign.) Since 2002, Rhea has contributed to the campaign war chest of New York's Charles Schumer, the senator most closely tied to Wall St., and to the Illinois congressional campaign of fellow investment-banker-turned-politician Rahm Emanuel, now the White House Chief of Staff.

Rhea will head an agency that owns 340 developments containing nearly 178,000 apartments in the city's five boroughs that house about 408,000 people. It also administers the federal Housing Choice Voucher Program or Section 8 rent subsidy for another 95,000 people in privately owned apartments across the city. Between the two programs, it is responsible for housing about 8 percent of the city's population. On average, the yearly income for a family renting a public housing apartment is \$22,728.

The social chasm separating Rhea from the working-class residents of public housing was revealed by a remark he made after Bloomberg announced his appointment to the job last week. According to the *New York Times*, he joked, "Well, obviously I'm not taking the job for the pay."

His new position includes a \$189,700 a year salary, nearly nine times the income of the average family living in New York City public housing. But undoubtedly this represents a huge pay cut compared to multimillion-dollar compensation packages that went to Lehman Brothers top executives before the 150-year-old banking firm collapsed, bringing much of the world economy down with it.

People living in public housing are some of the few remaining working-class and middle-class New Yorkers who pay anything

approaching an affordable rent, although given the unemployment and poverty affecting increasing numbers of workers, even in public housing "affordable" is relative term.

In return for a rent that is less than the nearly unaffordable sums that most ordinary New Yorkers pay, NYCHA residents get decaying and dangerous infrastructure, shoddy services, and the insecurity created by the threat of privatization.

This is because the NYCHA is starved for funds. With an annual budget of more than \$3.4 billion, the NYCHA ran an operating deficit of \$177 million for the 2009 fiscal year. In past years, the deficits have been similar. Fuel costs have skyrocketed in the last five years, and much of the \$390 million in federal stimulus funds will go to making units in the system more energy-efficient. Almost none will defray the deficits.

The NYCHA has attempted to balance its budget by raising rents, shutting community centers, and asking residents to pay for services, such as laundry, that were formerly free or provided for a nominal fee. Layoffs have stalled repairs and routine maintenance. The *Times* noted recently, "Morale among Housing Authority workers remains low, as the agency has eliminated hundreds of jobs to deal with its operating budget deficit."

Notoriously, breakdowns of many of the 3,335 elevators run by the authority are everyday occurrences. In the 22 buildings of East Harlem's Wagner Houses, there were an astounding 2,132 reported breakdowns in the 2007 and 2008 fiscal years. Often elevators are so unreliable and so dangerous that many residents must walk—or prefer to walk for their own safety—several flights of stairs rather than use them.

In October, an 11-day-old infant died while being rushed to the hospital when an elevator stalled in the Van Dyke Houses in Brooklyn. Police were forced to pry open the doors. In August, five-year-old Jacob Neuman died after he fell 10 stories as he attempted to escape a stalled elevator at the Taylor Street-Wythe Avenue apartments in Brooklyn.

As the *Times* later observed: "That elevator was 21 years old and had failed 8 of 11 inspections since February 2004. The technical problems that led to the accident—electrical malfunctions that caused the elevator to lose power and allowed the door to open—were tied to faulty maintenance, according to elevator experts and an accident report by the city's Department of Buildings."

In March, the newspaper did a study based on records it obtained from the NYCHA through the Freedom of Information Act that showed that more than 300 people reported being injured by elevators in public housing since 2001, 170 of whom sought medical treatment of some sort.

NYCHA buildings are often plagued by some of the worst social consequences of poverty, including drug abuse and violence. New York University's Furman Center for Real Estate and Public Policy published a study in November that demonstrated that children who live in public housing fared poorly in school, even compared to "students at the same school who shared similar demographics, like race, gender and poverty status." Children who lived in NYCHA developments scored worse on standardized tests and had a lower rate of school attendance.

None of these are the problems that Rhea has been appointed to solve. For the wealthy elite, of which he is a member, there is an entirely different problem: how to release a vast amount of publicly owned housing stock onto the rental market.

This has been a longstanding concern for the ruling establishment in New York City. Writing earlier this month in *Forbes*, the director of the right-wing Manhattan Institute's Center for Rethinking Development, Julia Vitullo-Martin, proposed that New York City imitate British Prime Minister Margaret Thatcher's semi-privatization of public housing in the 1980s.

At that time, British public Council flats were opened to private management and purchase, enriching a whole layer of realtors. Vitullo-Martin is forced to admit that one of the byproducts of this profit-taking was a "reduction in the supply of publicly owned housing stock."

New York, she suggests, should open up its housing system "to choice, competition and flexible responses." In a comment published on the Manhattan Institute's web site in November, Vitullo-Martin crowed with delight over the fact that the NYCHA had, for the first time in its 75-year history, allowed market-rate housing to be built by a private realtor on its land in Manhattan, displacing "a cheerless playground and basketball court."

Vitullo-Martin is not an accidental figure. She is connected to the city's political establishment at the highest levels, serving under Mayor Rudolph Giuliani as Assistant Commissioner for Planning and Development with the NYC Department of Parks and Recreation.

A WWS reporting team recently spoke to residents of the Walt Whitman Houses in Brooklyn, home to more than 4,000 people, as they returned from work or sat outside on a warm evening. Residents told us that they are well aware of not only the city's neglect of their homes, but also the fact that they live on real estate that New York's super-wealthy developers hope to exploit.

We spoke to two sisters, Missy and Donna, who have lived in the Whitman Houses all their lives. Missy, a public-school social worker, said of Rhea's appointment: "If he has no experience in public housing, he should not be running the authority. NYCHA is a diverse, multi-ethnic community. We need someone who has grown up here, or who has family here, who knows our struggles here. If you're living in the White House, you don't know what it is to live like we do.

"The only thing that is changing around here is the rent. You have people paying \$1,300, \$1,400. You've still got to deal with broken urinals. Sometimes you have to dodge bullets. This man simply does not have the empirical evidence to understand our lives."

Donna added, "He has no business down here. We need someone who has come from here."

Missy said, "If you're middle-class, you might as well move. We don't have a voice. They're not taking into consideration our needs. It's Robin Hood in reverse: they make sure that they're robbing from the poor and giving to the rich."

Another resident, Robert D. Duren, told us that most of the people in the development were working class. "The conditions for the working class are getting worse," he said.

When asked about the impact of the economic crisis on Whitman residents, Robert said, "A lot more people are struggling to make ends meet, while the MTA is hiking up fares. You already have people going to churches and soup kitchens for meals. People that are working are collecting food stamps.

"Bloomberg's trying to give money to the rich. *He's* got money. He's trying to price us right out. They're going to raise the rent, but where's all that money that Obama is sending out [in stimulus funding for public housing]?"

Robert noted that multimillionaire developer Bruce Ratner's project to develop a sports arena complex in the neighborhood would evict people from their homes.

"They're building a big stadium to move the [professional basketball team] Nets to, with new condos all over downtown Brooklyn—look around. They want us gone. If you could look at all the contracts and the plans, you'd see that the developers have blueprints of all the housing in the area, including the developments, and they have this property divided up among themselves. The public doesn't know what's going on.

"This is going to be Starrett City all over again," he said, referring to the large, private housing development for working people in Brooklyn that was recently sold, and whose residents face massive rent increases.

His friend Lajuna added bitterly, "They're already selling out. They're getting rid of our apartments to make way for condos. And still no one can get Section 8. They're already painting over apartments and are going to raise the rent by \$700 or \$800 a month. For two years this building has been empty."

Another resident passing by overheard her and brought us for a closer look at the apartments under renovation, to which Lajuna was referring. She told us that they were going to be rented for substantially more than most people in the development could afford.

The super-rich have looted the public treasury of trillions of dollars in the last few months. Now this financial oligarchy has placed one of its own, John B. Rhea—a major fundraiser for Barack Obama and an experienced hand at financial criminality—as the manager of billions of dollars' worth of public housing stock—and the homes of tens of thousands of New York's working poor.



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