



City of Cambridge

21.

IN CITY COUNCIL

MAY 22, 1989

COUNCILLOR D. SULLIVAN

- WHEREAS: Both recent and past events clearly indicate that Schochet Associates and Federal Management have operated best and most fairly at Rindge Towers, with regard to evictions and tenant/management issues and conflicts, when under the scrutiny of an external body; and
- WHEREAS: Schochet Associates and Federal Management have endorsed the principle of a Management Oversight Committee through their agreement of October 27, 1986 with the City and the Area 4 Neighborhood Coalition to establish such a committee for the project then proposed at 595 Massachusetts Avenue; and
- WHEREAS: The residents of Rindge Towers have serious concerns about safe emergency procedures for the handicapped living in the development; now therefore be it
- ORDERED:
- 1) that the Cambridge City Council invite the owners and management of Rindge Towers to meet with tenant representatives, representatives of a tenant organization selected by the tenants, representatives of a legal aid organization selected by the tenants, a representative of the city government and a member of the Cambridge Fair Housing Board for the purpose of establishing a permanent Tenant-Management Oversight Committee;
 - 2) that this Committee shall include but not necessarily be limited to members of the groups named above as well as the owners and management of Rindge Towers and meet regularly at least once each month and at what ever special time are agreed to by its members;
 - 3) that this Committee shall concern itself with questions of the management of Rindge Towers, especially with regard to evictions and tenant/management issues and conflicts, and with the purpose of attempting to resolve all such questions before court action is taken by any group or individual represented on the Committee;
 - 4) that all complaints and notices by any group or individual represented on the Committee to any other such group or individual also be sent to all members of the Committee before any legal action is taken;
 - 5) that notice of the existence, composition and duties of the Committee become a part of any existing or new lease and that such notices be renewed each year; and be it further

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- 1) That the city's representative to the formation of this Committee report back to the Cambridge City Council within three months of this order with a progress report;
- 2) that its efforts to establish such a Committee within three months fail because of lack of good faith on the part of the owners and management of Rindge Towers, then the City Council shall request the City Manager to pursue the investigation of the owner's eviction and management procedures by the U. S. Department of Housing and Urban Development; and be it further

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That the City Council request the City Manager to direct the appropriate city agencies to establish safe and effective emergency procedures for handicapped residents of Rindge Towers; and be it further

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Received @
Rostrom
5-22-89

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2. <u>Margaret E. Trott</u>	<u>10K</u>	10. <u>Lina Petrino</u>	<u>4-B</u>
3. <u>Margaret Burton</u>	<u>14H</u>	11. <u>Joe White</u>	<u>4E</u>
4. <u>Pats M. Sullivan</u>	<u>19-H</u>	12. <u>Margaret Smith</u>	<u>12E</u>
5. <u>Helen Preece</u>	<u>7E</u>	13. <u>M. White</u>	<u>7B</u>
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7. <u>Wes Smith</u>	<u>19L</u>	15. <u>Elizabeth O'Honnell</u>	<u>20H</u>
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2. <i>D. L. Holtz</i>	11D	10. <i>Cynthia Collins</i>	18K
3. <i>E. T. Ungersdorf</i>		11. <i>Judy Papp</i>	6J
4. <i>Teresa Clunan</i>	20J	12. <i>Rivale Kelly</i>	12M
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2.	Adine Connell	7H	10. James S. Dreier	19C
3.	Manuel F. Rogers	5M	11.	
4.	Anne A. Kutschus	16A	12.	
5.	Cleopatra Allen	20A	13.	
6.	Tina DeVito	12F	14.	
7.	Lil Silva	4M	15.	
8.	Helen McCabe	10G	16.	



MAY 12 1989

U.S. Department of Housing
and Urban Development

Boston Regional Office, Region I
Thomas P. O'Neill Jr. Federal Building
10 Causeway Street
Boston, MA 02222-1092

Mr. William J. Drier
700 Huron Avenue, #19C
Cambridge, MA 02138

Dear Mr. Drier:

SUBJECT: Project Name: Huron Towers
Project No. : 023-44208
Location : Cambridge, MA

We are in receipt of your letter dated April 24, 1989. In your letter you requested certain materials under the provisions of the Freedom of Information Act. Please be advise that we are in the process of reviewing our files to determine which materials we are allowed to release.

We anticipate that we will have this information available for your examination by May 16, 1989. You may come into our office at 10:00 A.M. on May 16, 1989 to review the files.

In reference to an extension of the comment period, we are not allowed to adjust the comment period, per HUD regulations.

In the matter of First Realty Management's condominium business, we have sent a letter to them requesting a response to this matter.

If you have any questions, please contact Ethel Boykin at 565-5219.

Very sincerely yours,

A handwritten signature in cursive script that reads "Mary Noble".

Mary Noble
Chief
Loan Management Branch

esident of finance

Thornton also has been known for several years as host of "For Pet Owners," a news and information program on pets broadcast on WEEI-AM radio in Boston.

Michael Carona, a certified public accountant, has joined Coopers & Lybrand as a tax partner in the Boston office.

Sylvio Dupuis, president of New England College of Optometry in Boston, has been named president and chief executive officer of Catholic Medical Center in Manchester, N.H. Dupuis, an optometrist by profession, previously served as president of the hospital from 1975-83, and was state commissioner of health and human services from 1983-86.

William M. Kargman has been elected 1989 chairman of the National Advisory Council of HUD Management Agents. Kargman is president and chief executive officer of First Realty Management Corp. of Boston.

Advent International Corp. announced last week the appointment of Mark L. Radtke as vice president.

The New England Council, a lobbying group, has shuffled its staff and added two persons to take up the slack left by two who left for jobs with the Bush administration. The council, supported by banks, other businesses and universities from around the region, named Laur-



ELLIOT J. STONE

Federated Department Stores

ence E. Zabar as vice president for regional affairs. He was executive director of the Northeast-Midwest Congressional Coalition.

Named director of policy and programs was Thomas J. Sommer, a former aide in Gov. Michael Dukakis's office. The council's new president, Nicholas P. Koskores, replaced Bonnie Newman, who was named assistant to the president for operations at the White House.

L.G. Modigliani, chief operating officer of the Badger Co. in Cambridge, has been named a director of the engineering and construction company.

Audit cites abuses at HUD

By Walter V. Robinson
Globe Staff

WASHINGTON - Federal auditors have uncovered major abuses in the Reagan administration's spending of federal housing funds, with favored developers often paying huge fees to politically connected consultants to obtain millions of dollars in federal rent subsidies for housing units they owned.

One of the beneficiaries of the system, according to the audit, was former Massachusetts Sen. Edward W. Brooke. In one in-

Says rent subsidy program overrun by favoritism, waste under Reagan

stance cited by the audit, a Lynn, Mass., developer paid Brooke \$150,000 for relatively little work in helping obtain federal funding.

Brooke was not alone, however, in profiting from the favoritism that the auditors said infested the government's principal program to provide rental assistance to low income tenants, a program that Reagan sought unsuccessfully to

scuttle in the early 1980s.

In the 69 projects that the auditors examined, the audit said, "former HUD officials and employees actively sought and participated as developers, consultants or lender representatives in over 55 projects."

And in 25 of the projects, the developers paid consultants between \$500 and \$1,500 per

unit for helping them win the HUD awards.

According to the audit, by the inspector general at the Department of Housing and Urban Development, former Interior Secretary James G. Watt, another consultant, earned \$300,000 for minimal work in helping secure federal funding for a Maryland project, Frederick Bush, a campaign aide - but no relation - to President Bush, received \$260,000 for helping another developer secure funding. Frederick Bush has been ABUSES, Page 7

Audit cites favoritism, waste in HUD program

ABUSES

Continued from Page 1

nominated by the president to become ambassador to Luxembourg.

The successful developers included Gerald P. Carmen, a prominent New Hampshire Republican, Reagan supporter and former UN special ambassador in Geneva. Carmen had assured local officials that he could win the HUD designation.

In addition, a handful of former top deputies to Samuel R. Pierce Jr., Reagan's HUD secretary, profited handsomely from the program as developers and consultants. One of them, Joseph Strauss, a former special assistant to Pierce, was paid \$1,305,875 for arranging HUD funding for developers.

If the program involved favoritism, it also involved an unusual indirect beneficiary: a nonprofit corporation, FOOD for Africa, to which many of the favored developers contributed. Thomas T. Demery, the assistant secretary for housing at HUD from 1986 until last January and the man responsible for awarding the federal funding, was a founder of the charity, which was established to funnel food aid to Mozambique.

Reacting to the findings, HUD Secretary Jack F. Kemp acknowledged that there has been a "widespread perception" of favoritism in HUD's actions. Yesterday, Kemp ordered an audit of all existing contracts under the program and suspended the award of \$100 million in additional contracts that had yet to be formally executed.

Kemp said the auditors found no evidence of criminal activity, but their evidence has been referred to the Justice Department. HUD sources said last night that FBI agents are most interested in the FOOD for Africa donations from developers.

According to the audit, developers and other firms with an interest in HUD awards contributed \$290,554 to FOOD for Africa over the two-year period examined by the HUD inspector general. That was half of all the money donated to the charity during that period.

Demery, in an interview last night, denied that there was any favoritism in the program, calling that conclusion by auditors an "unfounded premise." Although he acknowledged that there were management shortcomings during his tenure, he denied that he had done anything wrong. For instance, he noted, the 700-page audit contained no evidence that he was involved in raising funds for the charity while at HUD.

The audit estimated that lax administration, mismanagement and flouting of HUD's own rules will result in federal payment of excess rental subsidies of \$58 million in the 69 programs the audit covered. Much of that overspending, about \$13 million, is in Massachusetts, where developers of some projects spent between \$34,000 and \$80,000 per unit to rehabilitate housing - far more than federal guidelines allow. Such expenditures obligate the government to pay higher rent supplements.

Because of such problems, according to the audit, the conver-

sion of a Lynn school into housing units, for which Brooke received the \$150,000 fee, will cost the federal government \$2,479,140 in excess rental payments over 15 years.

The Lynn project, like most of those in Massachusetts, involved a conversion of nonresidential property to housing at substantially greater cost than renovation of existing housing stock.

The auditors' focus on the Section 8 rehabilitation program. It provides about \$225 million in rent supplements annually to owners of rental housing. Developers or owners approved for Section 8 funding, which lasts for 15 years, are able to arrange commercial financing for rehabilitation with HUD's guarantee that they will have subsidized tenants. Under the program, the low-income tenants pay 30 percent of their income in rent, with HUD paying the difference.

During the five-year audit period, from 1984 through 1988, about 35,780 units received funding for rent subsidies, for a total cost of \$3.4 billion.

Brooke, who has become a successful Washington lawyer and lobbyist since he lost his Senate seat in 1978, was hired by Lynn developer George Clayman, who was seeking HUD Section 8 funding for the Cobbett School, which Clayman wanted to convert into 153 housing units.

According to the audit, Clayman told HUD investigators that he only spoke with Brooke a few times by telephone, although the auditors said they discovered invoices from Brooke for his attempt to secure HUD approval for the project.

"Clayman does not know if Brooke contacted anyone in HUD about the Cobbett School," the report states. "Clayman said he does not know what Brooke actually did for the approximately \$150,000 that he paid him."

Brooke was also paid \$33,000 for representing the developers of a Worcester project that also won HUD designation with apparent ease.

Brooke did not return telephone calls from the Globe yesterday.

Watt, the former Cabinet secretary, said in an interview with HUD auditors that he was paid his \$300,000 consulting fee for talking to the "right people," including Secretary Pierce, about winning the HUD designation for a 312-unit housing complex in Essex, Md. In the interview, Watt described himself as a "damn good consultant."

Though the audit focused on financial mismanagement and favoritism, it also suggested that the abuses ultimately hurt the nation's low-income population during a period when the administration won massive cuts in federal housing funds.

"There is little assurance that housing is being provided to those locales having the greatest need and that limited program funds are being spent efficiently and effectively," the report said.

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700 Huron Avenue, #19C
Cambridge, MA 02138

Dear Mr. Drier:

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Project No. : 023-44208
Location : Cambridge, MA

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MAY 12 1989

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Continued from Page 1
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The successful developers included Gerald P. Carmen, a prominent New Hampshire Republican, Reagan supporter and former UN special ambassador in Geneva. Carmen had assured local officials that he could win the HUD designation.

In addition, a handful of former top deputies to Samuel R. Pierce Jr., Reagan's HUD secretary, profited handsomely from the program as developers and consultants. One of them, Joseph Strauss, a former special assistant to Pierce, was paid \$1,305,875 for arranging HUD funding for developers.

If the program involved favoritism, it also involved an unusual indirect beneficiary: a nonprofit corporation, FOOD for Africa, to which many of the favored developers contributed. Thomas T. Demery, the assistant secretary for housing at HUD from 1986 until last January and the man responsible for awarding the federal funding, was a founder of the charity, which was established to funnel food aid to Mozambique.

Reacting to the findings, HUD Secretary Jack F. Kemp acknowledged that there has been a "widespread perception" of favoritism in HUD's actions. Yesterday, Kemp ordered an audit of all existing contracts under the program and suspended the award of \$100 million in additional contracts that had yet to be formally executed.

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MAY 12 1989

U.S. Department of Housing
and Urban Development

Boston Regional Office, Region I
Thomas P. O'Neill Jr. Federal Building
10 Causeway Street
Boston, MA 02222-1092

Mr. William J. Drier
700 Huron Avenue, #19C
Cambridge, MA 02138

Dear Mr. Drier:

SUBJECT: Project Name: Huron Towers
Project No. : 023-44208
Location : Cambridge, MA

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Very sincerely yours,

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Loan Management Branch

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Federated Department Stores

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By Walter V. Robinson
Globe Staff

WASHINGTON - Federal auditors have uncovered major abuses in the Reagan administration's spending of federal housing funds, with favored developers often paying huge fees to politically connected consultants to obtain millions of dollars in federal rent subsidies for housing units they owned.

One of the beneficiaries of the system, according to the audit, was former Massachusetts Sen. Edward W. Brooke. In one in-

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stance cited by the audit, a Lynn, Mass., developer paid Brooke \$150,000 for relatively little work in helping obtain federal funding.

Brooke was not alone, however, in profiting from the favoritism that the auditors said infested the government's principal program to provide rental assistance to low income tenants, a program that Reagan sought unsuccessfully to

scuttle in the early 1980s.

In the 69 projects that the auditors examined, the audit said, "former HUD officials and employees actively sought and participated as developers, consultants or lender representatives in over 55 projects."

And in 25 of the projects, the developers paid consultants between \$500 and \$1,500 per

unit for helping them win the HUD awards.

According to the audit, by the inspector general at the Department of Housing and Urban Development, former Interior Secretary James G. Watt, another consultant, earned \$300,000 for minimal work in helping secure federal funding for a Maryland project. Frederick Bush, a campaign aide - but no relation - to President Bush, received \$260,000 for helping another developer secure funding. Frederick Bush has been ABUSES, Page 7

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ABUSES

Continued from Page 1
nominated by the president to become ambassador to Luxembourg.

The successful developers included Gerald P. Carmen, a prominent New Hampshire Republican, Reagan supporter and former UN special ambassador in Geneva. Carmen had assured local officials that he could win the HUD designation.

In addition, a handful of former top deputies to Samuel R. Pierce Jr., Reagan's HUD secretary, profited handsomely from the program as developers and consultants. One of them, Joseph Strauss, a former special assistant to Pierce, was paid \$1,305,875 for arranging HUD funding for developers.

If the program involved favoritism, it also involved an unusual indirect beneficiary: a nonprofit corporation, FOOD for Africa, to which many of the favored developers contributed. Thomas T. Demery, the assistant secretary for housing at HUD from 1986 until last January and the man responsible for awarding the federal funding, was a founder of the charity, which was established to funnel food aid to Mozambique.

Reacting to the findings, HUD Secretary Jack F. Kemp acknowledged that there has been a "widespread perception" of favoritism in HUD's actions. Yesterday, Kemp ordered an audit of all existing contracts under the program and suspended the award of \$100 million in additional contracts that had yet to be formally executed

Kemp said the auditors found no evidence of criminal activity, but their evidence has been referred to the Justice Department. HUD sources said last night that FBI agents are most interested in the FOOD for Africa donations from developers.

According to the audit, developers and other firms with an interest in HUD awards contributed \$290,554 to FOOD for Africa over the two-year period examined by the HUD inspector general. That was half of all the money donated to the charity during that period.

Demery, in an interview last night, denied that there was any favoritism in the program, calling that conclusion by auditors an "unfounded premise." Although he acknowledged that there were management shortcomings during his tenure, he denied that he had done anything wrong. For instance, he noted, the 700-page audit contained no evidence that he was involved in raising funds for the charity while at HUD.

The audit estimated that lax administration, mismanagement and flouting of HUD's own rules will result in federal payment of excess rental subsidies of \$58 million in the 69 programs the audit covered. Much of that overspending, about \$13 million, is in Massachusetts, where developers of some projects spent between \$34,000 and \$80,000 per unit to rehabilitate housing - far more than federal guidelines allow. Such expenditures obligate the government to pay higher rent supplements.

Because of such problems, according to the audit, the conver-

sion of a Lynn school into housing units, for which Brooke received the \$150,000 fee, will cost the federal government \$2,479,140 in excess rental payments over 15 years.

The Lynn project, like most of those in Massachusetts, involved a conversion of nonresidential property to housing at substantially greater cost than renovation of existing housing stock.

The auditors' focused on the Section 8 rehabilitation program. It provides about \$225 million in rent supplements annually to owners of rental housing. Developers or owners approved for Section 8 funding, which lasts for 15 years, are able to arrange commercial financing for rehabilitation with HUD's guarantee that they will have subsidized tenants. Under the program, the low-income tenants pay 30 percent of their income in rent, with HUD paying the difference.

During the five-year audit period, from 1984 through 1988, about 35,780 units received funding for rent subsidies, for a total cost of \$3.4 billion.

Brooke, who has become a successful Washington lawyer and lobbyist since he lost his Senate seat in 1978, was hired by Lynn developer George Clayman, who was seeking HUD Section 8 funding for the Cobbett School, which Clayman wanted to convert into 153 housing units.

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"Clayman does not know if Brooke contacted anyone in HUD about the Cobbett School," the report states. "Clayman said he does not know what Brooke actually did for the approximately \$150,000 that he paid him."

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"There is little assurance that housing is being provided to those locales having the greatest need and that limited program funds are being spent efficiently and effectively," the report said.

P E T I T I O N

We the undersigned, applaud and support William J. Dreier's comments in opposition to Huron Towers preliminary rent increase application, which were conveyed to H.U.D. by way of his letter dated April 24, 1989.

We would like to additionally state for the record, which happens to be contrary to what First Realty Management Company would apparently like H.U.D. to believe, that we are not satisfied with the level of the services being provided here at Huron Towers, and/or with the buildings environment as it relates to residents concerns regarding their own safety, including guests, and personal property.

Accordingly, we do not feel that H.U.D. would be acting in the best interest of either the residents and/or non-resident taxpayers by approving a rent increase at this time.

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1. <u>Russell G. Troth</u>	<u>10K</u>	9. <u>Sylvia Kessler</u>	<u>5B</u>
2. <u>Margaret E. Troth</u>	<u>10K</u>	10. <u>Lina Petrino</u>	<u>4-B</u>
3. <u>Margaret Burton</u>	<u>14H</u>	11. <u>Joe White</u>	<u>4E</u>
4. <u>Pats M. Sullivan</u>	<u>19-H</u>	12. <u>Margaret Smith</u>	<u>12E</u>
5. <u>Helen Powell</u>	<u>7E</u>	13. <u>M. Wilson</u>	<u>7B</u>
6. <u>Claire Ingersoll</u>	<u>20M</u>	14. <u>Sadie Seagrande</u>	<u>17K</u>
7. <u>Lee Smith</u>	<u>19L</u>	15. <u>Elyzabeth O'Honnell</u>	<u>20H</u>
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1. Donna Watson	12K	9. Donna Watson	18D
2. D. L. Heath	11D	10. Cynthia Collins	18K
3. E. T. Ungersdorf		11. Judy Papp	6J
4. Teresa Clunan	20J	12. Rina de Kelly	12M
5. Barbara Blackwood	7J	13. Chana A. Blube	9D
6. Catherine Kelly	4J	14. Marcia Japy	2A
7. Herbert G. Ford	17K	15. Nieves R. Millard	14-L
8. Audrey Pardo	13K	16. Frances Chatter	13J

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2.	Adine Connell	7H	10. James E. Dreier	19C
3.	Manuel F. Rogers	5A	11.	
4.	Anne A. Katsoulas	16A	12.	
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S-402 (A)

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May 22, 1989

5-22-89

Referred to the
hearing at 7:00pm on
6-19-89.

6-19-89

Hearing Held