THE CATALYST GROUP, LLC

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September 19, 2019

Mayor Keisha Lance Bottoms
City Council President Felicia Moore
City Council Members
Atlanta City Hall
55 Trinity Avenue
Atlanta, Georgia 30303

Subject: Kasim Reed and AHA

Dear Mayor Bottoms, President Moore, and members of the City Council:

This is a follow-up to my letter to you from more than a year ago on August 8, 2018.

It is evident to me that former Mayor Kasim Reed continues to exert great influence over the policy and legal decisions of the Atlanta Housing Authority's (AHA) Board of Commissioners.

As you know, in December 2017, Reed filed a vindictive and frivolous lawsuit against me, as the past President and CEO of the AHA. Under the new Administration of Mayor Bottoms, the city dropped Reed's lawsuit in April 2018.

This legal matter has cost me hundreds of thousands of dollars, causing great personal financial stress and harm to my reputation.

Under terms of my separation agreement with AHA, which is common, all of my legal expenses shall be reimbursed. However, after more than 15 months and at the cost of millions of dollars of taxpayer money, AHA and its teams of outside lawyers have steadfastly refused my reimbursement. Their strategy is clear: delay, delay, delay. All the while, these law firms are being enriched and the taxpayers are footing the bill.

Through current and former AHA and city employees, and others who work with the AHA, former Mayor Reed, who appointed the AHA board, is still in full control, and is dictating legal decisions related to my case. Having a former mayor control the board of a major public agency is not only shocking, but it is unethical and irresponsible government, especially in light of the agency's performance during the last six years.

To use the authority and financial resources of our government to attack a private citizen with the mean-spirited intention of harming her reputation and personal finances should be a concern for every citizen of Atlanta and the State of Georgia.

Consider this:

- The former mayor and the AHA Board have spent millions of taxpayer dollars to hire many law and public relations firms to bring litigation and wage a media smear campaign against me.

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- AHA has pursued expensive political agendas and personal vendettas against private citizens rather than focusing on and building affordable housing.

- Reed's political appointees on the board and in the AHA are still doing his bidding, and anyone at AHA who objected has long since been removed or fired.

As for the current status of my legal situation, AHA continues to shift its policies and positions, and the agency's public comments are in contradiction to what it actually does. It points out the fallacy of the AHA Board acting as both protagonist and referee.

My legal matter to make AHA honor its agreement with me is in arbitration, due to my September 2018 lawsuit against the agency for its lack of action. The arbitrator requested a mediation, in which I agreed to participate. After accepting concessions that were negotiated and agreed to (subject to AHA Board approval), a written agreement was signed on the night of the mediation. However, the agreement was just a ruse, as outside legal counsel further delayed while the board refused to act. After local media questioned the agency, AHA announced a settlement, but first made significant changes to the agreement without consulting me, and without telling the public what it had done.

Now AHA has taken a new position, according to one of the agency's outside lawyers, Leah Sears, who recently announced that AHA would not reimburse me at all. Instead, it appears AHA wants to disavow my separation agreement and litigate the City's 2017 lawsuit filed by Reed, but dropped by Mayor Bottoms.

As elected officials and leaders in our community, I humbly ask that you use your authority to bring transparency to this matter. No citizen should be treated the way former Mayor Reed, outside lawyers for the AHA, and the Board members of AHA have treated me.

I devoted 19 years of my professional life to the Atlanta Housing Authority, making it the model for the entire country. However, within the past six years, the AHA has gone from a national model to, frankly, a national disgrace. Since I left the agency in 2013, not one single new development project has been built, even though AHA owns approximately 400 acres of vacant land. Instead, the AHA has become a wasteful political tool to help insiders at the expense of families in need.

For those of you who were not in Atlanta or not involved in affordable housing matters when AHA was a failing agency, I have attached a copy of an Article published in the Atlanta Business Chronicle in December 1994. It highlights what important institutions can become when they are run for the benefit of political leaders instead of the people they were intended to serve. This Article is a reminder that if we don't remember our history, we are bound to repeat it.

The promise of Atlanta is better than this. Once again, we deserve a city government that is as good as its people.

Please do not hesitate to contact me if you have any questions or need further information.

Sincerely,

Renee Lewis Glover

Cc: Denise Cleveland-Leggett, HUD Southeast Regional Administrator
Nina Hickson, City Attorney

WEEK OF
DECEMBER 16-22, 1994
76 PAGES • ONE DOLLAR

ATLANTA BUSINESS CHRONICLE

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Good money after bad

Public housing in Atlanta is abysmal, despite $595 million in federal funding since 1983. Why?

By Julie B. Hairston and Michael Hinkelman
STAFF AND CONTRIBUTING WRITERS

From the terrace of Earl Phillips' multi-level, penthouse apartment atop the Mayfair, a chic midtown high-rise, the executive had a spectacular view of the city.

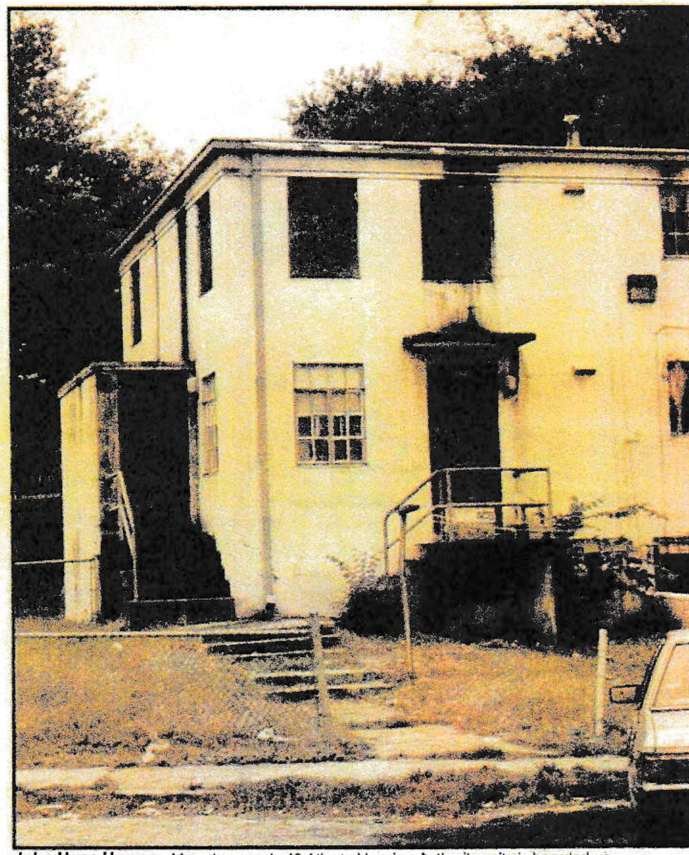
Appointed with eclectic contemporary furniture, Phillips' home featured an impressive collection of African art and 600 elephant figurines.

Five mornings a week, Phillips descended to the Mayfair's ornate lobby and drove to work in either his late-model Jaguar or a company-furnished Buick Roadmaster. He lived less than five minutes from his intown office suite, which had a private bath and minibar.

Was this the CEO of a Fortune 500 company? No, from March 1992 until March 1994, Phillips was the executive director of the Atlanta Housing Authority (AHA), an agency once described in 1981 as "the city's biggest slumlord," by city Bureau of Buildings Director Cathy Malicki.

What's more, Phillips' Buick and the rest of his $57,500 "executive benefits package" were paid for with money taken from a subsidized-housing fund, an arrangement approved by AHA's board. Federal regulators later concluded these expenditures were improper.

Since 1983, the federal government has spent an extraordinary amount of money, $595 million, on public housing in Atlanta. Yet, overall conditions in public housing are no better today than in 1983. Some observers argue the quality of life in public housing is worse.

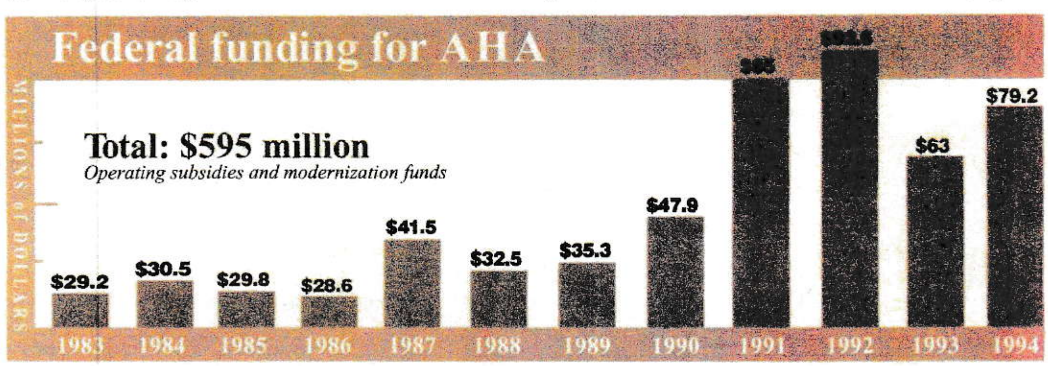


John Hope Homes: More than one in 10 Atlanta Housing Authority units is boarded up

How much money is $595 million? For that amount, AHA could have provided each resident with a $12,000 down payment on a safe, decent home.

AHA has been on the federal government's "troubled" list of housing authorities since 1990. Documents used by federal auditors and obtained by Atlanta Business Chronicle under the federal Freedom of Information Act show an agency in a far greater state of crisis than previously revealed.

➤ *See* **PUBLIC HOUSING,** *Page* **18A**



AHA EXECUTIVE DIRECTORS

SAMUEL HIDER – 1980-1990
Retired with generous pension and life insurance policy partly paid out of Section 8 funds

DELMAR CORBIN – 1990-1991
Mayoral ally with no previous housing experience who was executive director the only time HUD ever took money away from AHA

EARL PHILLIPS – 1992-1994
Recruited from Miami as savior for "troubled" AHA, but resigned under fire in March

RENÉE GLOVER – Sept. 1 - present
Former corporate attorney tapped by Mayor Bill Campbell to resurrect AHA

AHA BOARD CHAIRMEN

DONALD B. LESTER – 1984-1989
A bishop of The Shrine of the Black Madonna who was voted out as chairman when resident members of the board gained voting status

JANE FORTSON – 1989-1993
Key figure in recruitment of Phillips and later his nemesis

RENÉE GLOVER – 1993-1994
Tried to play peacemaker between Phillips and Fortson but eventually replaced Fortson when those efforts failed

JOHN SWEET – Sept. 1 - present
Former Atlanta city council member now pledged to help Glover rebuild AHA

Public housing

Continued from Page 1A

AHA has been a part of Atlanta since 1936, when the nation's first public housing development, Techwood Homes, between North Avenue and 10th Street, was built "to provide safe, decent and affordable housing" for poor people.

Atlanta now has more public housing residents per capita than any other U.S. city: about 50,000 people, or about 12 percent of the city's population. Half of the people who live in Atlanta public housing are children in families who earn less than $5,500 a year. Ninety-six percent of AHA residents are black.

Twenty percent of all homicides in the city occur in AHA's developments. More than one in every 10 units of public housing in Atlanta is boarded up. Many inhabited AHA dwellings are roach-infested, water-damaged, unheated or dilapidated.

Where the buck stops

Why didn't the expenditure of more than *half-a-billion dollars* produce some good?

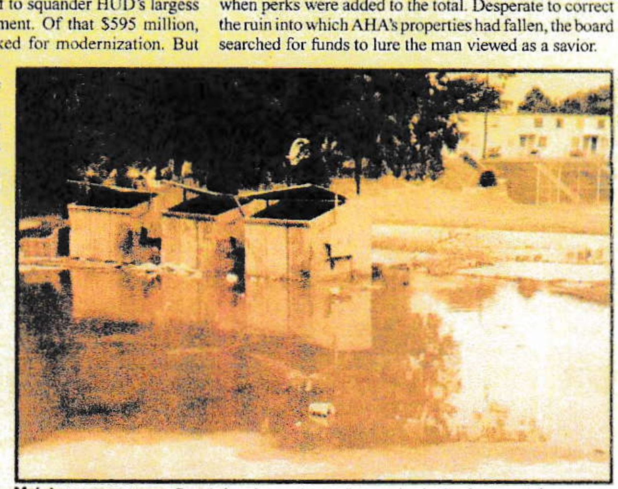
There is plenty of blame to go around. The U.S. Department of Housing and Urban Development (HUD), the federal patron of public housing nationwide, failed to use the tools at its disposal to make the AHA shape up. Instead of disciplining AHA, HUD handed out more money. HUD also enforced a federal law that made AHA spend good money after bad trying to fix up old, worn-out buildings.

During the last decade, a weak AHA board has allowed the authority's staff to squander HUD's largess through gross mismanagement. Of that $595 million, $250 million was earmarked for modernization. But some newly renovated public housing complexes are already falling apart.

And for its part, the Atlanta community has held AHA at arm's length, preferring to warehouse public housing residents out of sight and out of mind.

Although housing management isn't rocket science, the AHA itself, after more than 50 years in the business, has not gotten the hang of it.

For example, nobody bothered to test the soil properly at Herndon Homes on Northside Drive before AHA spent almost $14 million to renovate the complex in 1993. Now, 200 rehabbed units are fenced off and posted with warning signs because of lead contamination.



Maintenance morass: Regulations banned spending modernization funds on infrastructure.

Residents watched contractors install shiny new sinks, knowing that the pristine porcelain would soon be filled with raw sewage from blocked sewer lines. HUD regulations didn't allow modernization money to be spent on fixing broken sewer systems.

AHA's central office put in a computerized system for handling maintenance orders but only used it for "training." Meanwhile, 7,000 unfilled orders piled up.

When federal regulators demanded AHA regain control of its housing management system, AHA ignored them and continued business as usual.

The overseer of this mess, Phillips, lived high on the hog with money that should have been spent on housing, while the authority he headed maintained a secret fund used to pay traffic fines and buy Braves tickets.

Leaving AHA 'in the ditch'

Phillips had been recruited in 1991 to salvage AHA. He came to Atlanta from Miami, where he headed the Dade County Housing and Urban Development Authority. Purportedly, Phillips had significantly improved the living conditions for public housing residents in Miami. AHA officials and city leaders hoped he could do the same for Atlanta before the Olympics. Indeed, he pledged to make AHA "an international showcase."

Instead, he resigned abruptly in March after a HUD audit denouncing AHA's operations and Phillips' stewardship. He moved to Seattle, where he is deputy executive director of the Seattle Housing Authority, leaving behind an agency "in the ditch," according to his successor.

Revelations of an audit

Through the federal Freedom of Information Act, the Chronicle obtained the work papers federal regulators used to prepare the 1994 audit. The work papers provide an unvarnished, behind-the-scenes look into how AHA operates. Phillips did not return reporters' phone calls and declined to answer questions mailed to him by the Chronicle.

In late 1991, Phillips was heavily recruited by AHA's Board Chairman Jane Fortson, with enthusiastic support from Mayor Maynard Jackson, local HUD officials and the Atlanta business community. From the beginning of negotiations with Atlanta, Phillips exhibited a singular interest in money and perks.

First Phillips refused even to consider AHA's offer unless the authority agreed to match "dollar for dollar" his salary and perquisites in Miami, which he valued at about $200,000. During his courtship by the authority, he insisted on being paid "consulting fees" for the time he spent in interviews. More than $6,000 was paid from an account known as the Authority Fund, which was also used by previous executive directors and reported as a "slush fund."

Early in its negotiations with Phillips, according to Fortson, the AHA board realized it lacked the direct resources to match Phillips' salary demands, especially when perks were added to the total. Desperate to correct the ruin into which AHA's properties had fallen, the board searched for funds to lure the man viewed as a savior.

Phillips agreed to a salary of $140,000, boosted by an "executive benefits package" of $57,500. The additional money was taken with board approval from Section 8, a program designed to move AHA residents into the private housing market by paying a portion of their rent in specially designated apartment complexes.

The $197,500 salary represented an increase of $104,650 over the previous executive director's pay and topped the salaries of the mayor of Atlanta ($100,000) and the governor of Georgia ($92,000). To ensure that HUD would approve the deal, AHA kept the $57,500 secret, by prorating it as an "administrative cost" in the Section 8 budget.

And Phillips was not the only beneficiary of Section 8 diversions.

During 1992 and 1993, AHA charged the Section 8 program $268,762 in other ineligible costs, according to federal auditors.

These expenditures included:

- $57,750 in deferred compensation for former Executive Director Samuel Hider, as well as $40,000 in annual premiums for Hider's life insurance policy;
- $26,253 for the purchase of computer and other office equipment for AHA officials not working on Section 8 programs;
- $23,874 for the purchase of a 1992, midnight-blue Buick Roadmaster, featuring a "prestige package," and

used exclusively by the executive director for personal as well as business purposes. The prestige package included automatic trunk pull-down, twilight sentinel, a leather-wrapped steering wheel, and cornering lamps.

HUD allows Section 8 money to be spent for "other housing purposes," and provides specific guidelines on how its money may be spent. But in its 1994 audit, HUD stated emphatically that Phillips' inflated salary and luxury car did not constitute "other housing purposes."

The French flap

Phillips made housing purposes a catchall justification for many questionable activities during his tenure. He even attempted to justify a European junket as part of improving AHA.

This year federal auditors flagged the trip Phillips took to Lyon, France, in July 1992 to attend an urban-issues conference. Since the meeting did not relate to AHA business, NationsBank agreed before Phillips left to pick up his tab for the trip, along with the expenses of two other Atlanta representatives chosen by the city's Department of Planning and Economic Development. NationsBank agreed to sponsor the three as part of its community relations program.

Leon Eplan, the department's commissioner, accompanied Phillips to Lyon, as did Richard Bradshaw, whose firm, Prentiss Properties Inc., hoped to make a deal with AHA for the revitalization of Techwood and Clark Howell homes.

Phillips used his AHA executive credit card to charge the $2,608 airline ticket, despite knowing NationsBank had already agreed to foot the bill. In fact, Phillips had $1,000 of the bank's money in his bank account when the ticket was purchased.

After the AHA charge had been paid, the executive director received a check for $1,653 from NationsBank. Only after he was confronted eight months later about the unauthorized charge by then-AHA Director of Finance Jeffrey Bennett did he reimburse the agency for his ticket.

In AHA's response to the 1994 audit, which addressed the issue of the credit card, Phillips took umbrage at its inclusion in the final audit, dismissing the matter as "minuscule."

Faced with increasing pressure to improve conditions, AHA's board was willing to bend the Section 8 rules and wink at Phillips' affluent lifestyle to support the man they thought could perform the miracle they needed.

"He came here to us with a phenomenal reputation. We expected the man to walk on water," recalls Renée Glover, who was a board member at the time and who was named as Phillips' successor on Sept. 1, 1994.

Why nothing gets fixed

AHA needed an executive director who could "walk on water" because its developments had suffered decades of neglect. Phillips himself acknowledged to auditors this year that AHA's biggest problem was its abominable neglect of maintenance.

HUD regulations require public housing authorities to maintain housing stock at well-defined minimum housing quality standards. This prescription, however, was lost on AHA and went largely unenforced over the years by HUD, even though AHA spent about $14 million a year on maintenance.

The most tragic example of the threat posed by AHA's neglect of its maintenance responsibilities came in 1980, when a boiler in an authority-run day-care center at Bowen Homes blew up, killing four children and a teacher. The ensuing investigation blamed poor maintenance and found that an appliance firm hired to inspect the boiler in 1978 had recommended it be replaced.

Throughout the 1980s and into the 1990s, federal audit after federal audit found the same inattention to maintenance. What maintenance did occur usually either arose from emergency situations or stemmed from AHA's desperate efforts to reduce its growing number of vacancies. No systemic approach to preventive maintenance or timely response to complaints ever emerged from AHA's leadership, despite repeated prodding from HUD.

Among its discoveries in a 1988 audit, HUD found unrepaired roof damage at Clark Howell; two ungrounded major conductors at Antoine Graves; and serious drainage and erosion problems at Hollywood Courts. Three years later, another audit found the problems were worse than ever.

A 1991 reorganization of AHA's maintenance division, before Phillips' arrival, only added to the confusion. Instead of allowing maintenance workers in the field to address problems as they arose, it further centralized authority and put greater distance between problems and solutions.

Later in 1991, federal auditors found that AHA's automated work order system "continued to be inadequate" and they gave AHA 120 days to fix it.

Two years later, AHA personnel again found themselves explaining to auditors why the authority maintained "old and unreliable" data in its computer system, which the authority said was being used just as a training tool. Work orders were actually being taken manually. Not surprisingly, auditors found more than 7,000 backlogged work orders.

In one poignant example, a work order identified as an "emergency" was called in at 10:35 a.m. on May 29, 1992. A bathroom light fixture was reported to be "shooting fire." No work was performed until four days later, June 2.

"The dreary, poorly maintained properties provide a discouraging living environment for families which must reside in indecent, unsafe and unsanitary conditions," federal auditors concluded in 1993.

10-minute inspection

Not only were units not properly maintained, but before November 1992, AHA wasn't even conducting inspections with any consistency, according to Alex Jackson, AHA's supervisor of inspections at the time. In 1993, Jackson told federal auditors he had only eight inspectors and each was charged with inspecting about 300 units a week. In order to reach that goal, each inspector would have to examine a unit every 10 minutes of an eight-hour working day.

HUD audits since 1985 suggest that AHA has submitted highly erroneous inspection reports to federal regulators. In many cases, AHA's inspectors certified that housing units had "passed" inspection. But when HUD's inspectors came in behind them, 88 percent of the units double-checked were woefully short of HUD standards.

As recently as this September, AHA had no written procedures or policies in place to guide maintenance decisions. In addition, many of AHA's 627 maintenance workers are underqualified for their work. One painter,

➤ Continued on next page

Inside the Authority Fund

A maverick "slush fund" maintained by the Atlanta Housing Authority for more than 50 years has once again raised eyebrows.

The U.S. Department of Housing and Urban Development has demanded repayment of $120,000 spent from the so-called Authority Fund, according to the 1994 audit. This account was established by AHA in 1938 with a $28,000 donation from the city of Atlanta. HUD has no influence over the fund, but all other AHA accounts are earmarked by HUD for specific uses.

The Authority Fund, however, has no legal restrictions on how it may be spent, and AHA executive directors over the years have liberally interpreted its purpose. Only the executive director, the general counsel and the finance director can write checks from the Authority Fund.

The fund was publicly disclosed for the first time in 1977. AHA's board was unaware of its existence at the time and called for a criminal investigation after its discovery. The investigation apparently never took place. The executive director at that time, Ernest Jackson, used the account to purchase office furniture, to pay for meals and receptions and to supplement travel expenses, according to newspaper reports.

The Authority Fund's use was not questioned again until 1994. An Open Records request from Atlanta Business Chronicle for copies of Authority Fund receipts and disbursements for the last 10 years produced only a summary of balances since 1988. Despite audit copies of computerized bank records showing frequent activity in the fund during 1991, 1992 and 1993, finance officials told the Chronicle that the fund was discontinued in 1990.

Since the 1930s, most of the Authority Fund's money came from bond-issuer fees and vending-machine receipts. But in 1991, an AHA suit against a builder over the renovation of Grady Homes produced a $2.5 million settlement in AHA's favor. Interest from the settlement, $120,000, was transferred into the Authority Fund.

HUD officials say that the $120,000 belongs to the federal agency because the original money for Grady's renovation came from federal sources. Transfer of the interest into a "non-HUD account" was an "inappropriate use" for that money, HUD officials say. By the time HUD asked for AHA to return the $120,000, however, most of it had been spent.

Although only $7,314 was spent from the Authority Fund in 1991, according to working papers from the 1994 HUD audit of AHA, fund expenditures rose quickly after Earl Phillips' arrival in Atlanta. Phillips received two Authority Fund checks for "consulting fees" in early 1992. One check for $4,569 was paid to Phillips on Feb. 7, 1992, before he officially

AHA's Earl Phillips (right) with HUD Secretary Henry Cisneros

assumed his duties at AHA. Another, for $1,523, was paid on March 4, 1992, 12 days before he became executive director.

At Phillips' direction, money from the Authority Fund paid $12,000 to the local United Way campaign; $10,337 for food and entertainment for staff; and $6,087 to purchase new furniture for the executive director's office in 1992 and 1993. The fund was used to pay traffic fines for several staff members and to purchase Braves tickets.

Phillips blamed the transfer of the $120,000 to the account on a "misreading" of federal guidelines by an earlier executive director.

"Expenditures have continued to be made based on the original erroneous determination that these funds were non-federal funds," he wrote in AHA's response to the 1994 HUD audit. "Now that the matter has been brought to the AHA leadership's attention, AHA will work with HUD to make any necessary corrections."

No changes were made in the Authority Fund under Phillips' leadership, however, and his successor was never briefed on the fund's existence or its use. When questioned initially about her plans for the Authority Fund, current Executive Director Renée Glover replied, "What's that?"

In November, newly appointed AHA Finance Director V. Joseph Shipman recommended that the fund's current balance of $65,888 be transferred to the agency's Assisted Housing Program.

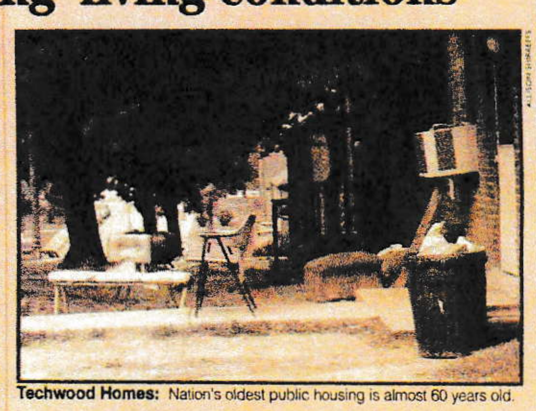
– Julie B. Hairston and Michael Hinkelman

'Punishing' living conditions

Music booms from an apartment at Techwood Homes. In front of the unit next door, a broken-down couch absorbs the elements.

Life in public housing is a bleak prospect. Families live in bedrooms measuring 8 by 11 feet, with colorless walls and open, shallow closets. Stairwells are narrow and dark.

Most of the older complexes are heated with steam radiators, dangerously hot and often a hazard to small children. Kitchens are tiny, barely large enough for one person. Appliances are unreliable and difficult to repair. Few of the older AHA apartments are air-conditioned.



Techwood Homes: Nation's oldest public housing is almost 60 years old.

Margaret Greenway, an elderly resident of Eagan Homes and president of the tenant association, must walk up a long, dark stairway to reach her two-bedroom apartment. The musty odor of an aging structure permeates the climb.

Inside, her living room is so small that a normal arrangement of furniture appears jumbled and jammed together. To reach her bedroom, Greenway must climb another stairway. She keeps a small sofa and a television in the second bedroom to save trips up and down the stairs.

In addition to being cramped, the rooms are dark, even at midday, because windows are few and small. Little light can penetrate the long, dark corridor from the front door.

On a hill overlooking Greenway's apartment, a chain-link fence topped with razor wire divides vacant, boarded-up buildings from rehabbed models. Streets that separate the military-style structures are narrow. Children frequently play on the asphalt as cars drift by.

At John Hope Homes, two police cars sit head-to-tail while the officers driving them sip their coffee and chat. The crowded arrangement, large courtyard spaces and poor lighting make patrolling difficult and dangerous. Busy thoroughfares adjacent to the developments attract strangers with dubious intentions.

No pharmacies, grocery stores or other neighborhood enterprises can be found as far as the eye can see from most of AHA's family developments. The elements of more traditional communities — the ethnic, age and income ranges common among the city's other sectors — are missing.

Litter is a common sight on the streets and between the buildings. Handrails on staircases often are broken or missing, and corridors are lighted by naked bulbs.

Where grass grows, an intermittent phenomenon at AHA developments, it sometimes goes unmowed for weeks in summer. In places without grass, rain and downspouts erode the red clay.

"We're punishing people who are poor by making them live in these conditions," Executive Director Renee Glover sighs.

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who was required to pass a test for her position, failed the test and refused to take it again. She retained her job as a painter, however, according to the audit.

Typical of residents' complaints are those of Ozie Wardrick, the AHA tenant association president at Capitol Homes who came to a November AHA board meeting to complain about trash in front of her home, a refrigerator that didn't work and windows she couldn't close.

'He divided and he conquered'

Some maintenance workers were bullied into inertia. They and other on-site staff were actively discouraged from talking to each other or to residents. Phillips' abusive tirades against AHA employees who violated this policy were legendary.

"[Phillips] wanted complete control over people," says Louise Watley, president of the Carver Homes Resident Association and a longtime advocate on public housing issues. "He divided and he conquered. His management style was management by intimidation. . . . If morale gets bad, people don't care anymore. They stop doing things."

Phillips applied the same bullying tactics to his relationship with regional HUD officials. Whenever federal regulators pointed out discrepancies between AHA's promises and its performance, the executive director responded by going on the attack.

For instance, regulators were concerned over the large and growing number of vacant units at AHA, as well as the amount of time the authority required to prepare these units for occupancy. In 1992, vacancies cost AHA more than $2 million in annual rental income, according to federal auditors. By the summer of 1993, the preparation time for vacant units averaged 134 days, which was 104 days beyond HUD's maximum standard.

That summer, HUD Regional Administrator Raymond A. Harris wrote to Phillips about a vacancy reduction plan the authority had recently submitted for HUD's approval.

The letter to Phillips noted that "little measurable improvement" had occurred in reducing AHA's vacancy rate despite assurances from the authority there would be dramatic decreases.

"We are concerned that AHA appears to continue to practice 'crisis' management," Harris wrote.

The regional administrator also suggested that Phillips' vacancy reduction plan was designed to attract more HUD money rather than to address the problem. AHA's plan was too vague, according to Harris, and did nothing to show in concrete terms how vacant units would be rendered habitable. Harris suggested that AHA consider privatizing management and maintenance in some of its developments, since it had proved so incapable of addressing the agency's problems internally.

Phillips responded angrily. He blamed HUD's assessment of AHA's vacancy problems on "serious distortions of statistics and inaccuracies."

HUD presented "no serious discussion of the vacancy problem AHA faces . . . and essentially offers no helpful suggestions or analysis on how to improve performance other than to junk the system and try private management," Phillips wrote.

Exiting an exit interview

Although federal regulators were under legal mandates to scrutinize AHA's operations because it was a "troubled" authority, Phillips responded as though he were being persecuted.

"He was frequently defensive and argumentative," says retired HUD official Charles Clark. "He had a tendency to blame HUD for everything."

"We were frequently accused of micromanaging and dilly-dallying in details that were frivolous," explains Bill Broom, chief of the Special Programs Branch of HUD's Georgia Public Housing Division. Broom oversees all aspects of AHA.

"We don't approach the authority with a 'gotcha' mentality. Other than the last administration, I think there's been a fairly good relationship. I don't think the other administrations would accuse us of being gotcha folks."

Broom describes his meetings with Phillips as "antagonistic." During his exit interview with federal auditors in 1994, Phillips strode angrily from the room before the end of the questioning, according to one federal auditor who participated.

"He tried to be loud, boisterous and intimidating to divert attention from the real issues and make accusations about other things, like micromanaging," Broom observes.

A slap on the wrist

Much of the tug of war between AHA and HUD was over the authority's vacancy rates, a key factor in AHA's presence on the federal troubled list. Though HUD became increasingly frustrated by the authority's inability to make any headway on reducing vacancies, it never exacted any penalty from AHA for its failure.

In 1986, AHA received a $2.86 million settlement from the Georgia Department of Transportation (GaDOT) when some units at both Grady Homes and Capitol Homes were demolished to make way for expansion of the downtown expressway. HUD authorized AHA to use the funds for vacant-unit renovation. How the funds actually were spent is unknown, but five years later, HUD officials discovered the vacancy problem was worse than ever.

As a result, HUD requested in August 1991 that all the transportation department money including interest be returned to federal accounts. AHA repaid HUD $4.1 million. This was the only time HUD ever took money away from AHA, but the authority got its money back almost immediately.

In September 1991, AHA submitted a vacancy-reduction plan which received HUD approval. HUD then restored the $4.1 million to AHA with the proviso that the agency get serious about vacancy reduction.

At that time, AHA had 1,296 vacant units, which made up 9 percent of its housing stock. By late June 1993, AHA had spent nearly all of the GaDOT funds exclusively to reduce outstanding vacancies. But instead of improving its vacancy rate, AHA's number of vacancies had risen significantly: The authority had 1,944 vacant units, a whopping 14 percent of its holdings. Today, the vacancy rate is somewhat lower, 11 percent, but 4,353 families are on AHA's waiting list.

The rapid aging of 'modernization'

Over the last 14 years, HUD's most aggressive effort to reduce vacancies and rehabilitate boarded-up units was through "modernization," a term that encompassed a variety of programs. Designed to improve management deficiencies and physical conditions in public housing, these programs gave AHA more than $250 million for management and physical improvements at various properties.

Grady Homes, Capitol Homes, Herndon Homes, Bankhead Courts, University Homes, John Hope Homes, McDaniel-Glenn, and Eagan Homes all were renovated to varying degrees after 1989. Yet, most of these complexes already need additional repairs.

For example, Eagan Homes was renovated just three years ago. But during the first cold snap this fall, AHA officials had to purchase space heaters for every unit because the heating system failed.

Margaret Greenway, tenant association president at Eagan Homes, was scheduled to move from her old unit to one of the modernized sections of the complex in October, but the move never happened. Just days before her scheduled transfer, sewers backed up into the "modernized" unit she was supposed to occupy.

Federal law prohibited modernization moneys from being used for structural repairs. So, for example, modernization funds could be used to purchase new bathroom fixtures, but not to rebuild sewer lines that routinely backed up and overflowed in AHA housing units. Demolition was another prohibited use of modernization funds. This meant units, no matter how poorly designed, could not be torn down and replaced with more efficient and livable designs.

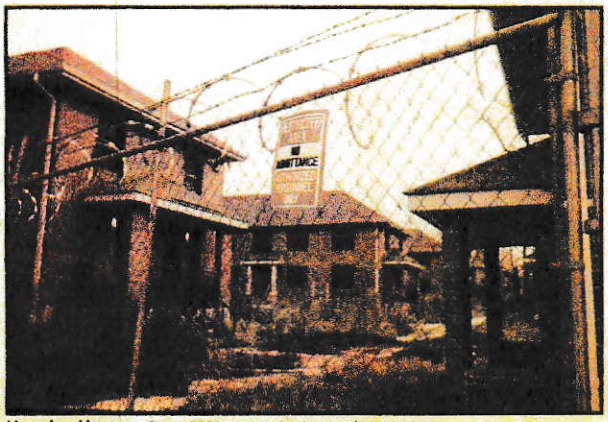
These restrictions put AHA in the posture of throwing good money after bad by attempting to resurrect buildings that had long since exceeded their useful lives. Fourteen of AHA's 46 developments are more than 30 years old.

Rehab on contaminated soil

In many instances, "modernization" amounts to little more than putting a new facade on an old building. University Homes, built in 1938, was rehabbed three years ago and already exhibits signs of deterioration — peeling paint, cracked facades and sections of fallen fencing.

On a sunny Saturday in October, children played in a barren quadrangle at University Homes. Insects infested the vacant unit of a renovated building nearby. Behind the building, trenches dug to find the source of a blockage in the unit's ancient sewer system yawned behind chain-link fencing.

Herndon Homes has even bigger problems. Two hundred units at Herndon, renovated in 1993 under a $13.7 million contract with Mitchell Construction Co. of St. Simons Island, Ga., sit empty, fenced off and posted with warning signs.



Herndon Homes: Some 200 renovated units stand empty

The state Environmental Protection Division (EPD) sealed off the units in October 1993 after a construction worker repairing a sewer line in a nearby ditch fell ill. Later, officials discovered that the soil in which he was digging was contaminated with lead.

Extensive cleanup will be required. State environmental officials say other toxic substances were found on the site in addition to the lead. Substances discovered in soil samples included mercury, arsenic, toluene and cyanides. Herndon was built on land that once housed a tannery, according to AHA board Chairman John Sweet.

The discovery of Herndon's contaminated soil points up two recurring problems at AHA. Preliminary soil testing was inadequate, and the authority failed to monitor its soil-testing contract sufficiently. Millions of dollars were wasted before the contamination was discovered.

Brakes on police car purchase

At Herndon, at least the intent was to spend modernization money on housing. On another occasion, modernization money was diverted to a use prohibited by HUD. In April 1993, AHA agreed to pay the city of Atlanta $4.6 million for additional police services over five years.

AHA bought 11 police cars in May 1993, even though HUD said the city should provide them. Over and over, HUD officials denied Phillips' request that they approve the purchase.

Still, AHA tried to slide the $147,000 purchase unobtrusively into its budget. Federal regulators detected the effort and disapproved the purchase.

Phillips appealed all the way to HUD's assistant secretary for the Bureau of Public and Indian Housing in Washington, to no avail.

Taking a swipe at local HUD officials, Phillips wrote that the police vehicle issue — and others — "indicate basic problems of overregulation, negativism and failure to recognize basic progress. AHA is making dramatic progress and soon will come off the troubled list, if HUD is supportive rather than obstructive."

Despite Phillips' claims to making "dramatic progress," AHA remained throughout his tenure on the troubled list and his relationship with regional HUD officials did not improve. HUD's failure to curb Phillips' excesses was matched by inaction from AHA's board of commissioners, with whom he had a similarly contentious relationship.

'At AHA, nobody loses their job'

Since the early 1980s, the AHA board had been little more than a rubber-stamp operation. Rather than setting policy, commissioners allowed the executive director and his staff to make policy decisions. The result was an institutional culture characterized by mistrust, racial animosity and subterfuge.

That culture gave rise to an air of unreality:

- Although 20 percent of all homicides in the city occurred in public housing, Phillips boasted in his 1993 annual report about improved security at AHA's central offices.
- Untrained and underqualified maintenance workers mowed patchy grass in seriously eroded community yards on $11,000 riding mowers with snowplows attached.
- While Phillips was wrangling with HUD officials over the unapproved $147,000 to purchase 11 police cars, AHA was refusing to pay Atlanta police $10 per file to run routine criminal background checks on prospective tenants.

"There are deep, deep problems at the staff level at AHA. You can put together the most professional plan, but the execution of that plan always falls short at best," says former board Chairman Fortson of the continuing crisis at AHA.

"At AHA, nobody loses their job. It's the surest form of employment you can have," she says.

A challenge from within

When Fortson was appointed to the board in 1988, the first thing she noticed was how short board meetings were, 30 minutes or less. An investment banker, Fortson brought a wealth of business expertise to the board, as well as a lengthy record of civic involvement. Given her background, she was "very struck by the body language" at board meetings, she says. After a rapid-fire presentation and voting on business issues, the board would allow public input.

As one after another resident would rise to complain about intolerable conditions, then-Chairman Donald B. Lester would cross his arms and stare at the floor. Then, Executive Director Hider would appear impassive, directing a staff member at the end of each complaint to "get with [the resident] and see what you can do," Fortson says.

She observed that issues were rarely discussed by other board members, and it appeared that staff members were never challenged or questioned about the litany of complaints.

At her second meeting, Fortson began asking questions she considered routine and part of her role as a board member. "It was immediately apparent to me that I was perceived as a big problem by both the board and the staff," she recalls.

Not long after being appointed to the board, Fortson was invited to an AHA tenants' meeting at Dunbar Elementary School. She remembers arriving at the school to find a roomful of agitated, unhappy people and a single, folding chair for her at the front of the room. After several hours of listening to residents pour out their frustrations about their living conditions, Fortson says she felt compelled to make a statement.

"I'm not going to be a rubber-stamp commissioner," she told the residents. The quote was picked up by local TV news.

During a board of commissioners meeting the next day, Hider pulled her aside and admonished her for going to the residents' meeting. "He told me I was never to go back out there, that I was fresh bait, that I had no idea what I was dealing with, that I had to let the staff handle this, and that this was not my job," she says.

Hider declined repeated requests for an interview for this story.

Frustrated by Hider's apparent mistrust of residents,

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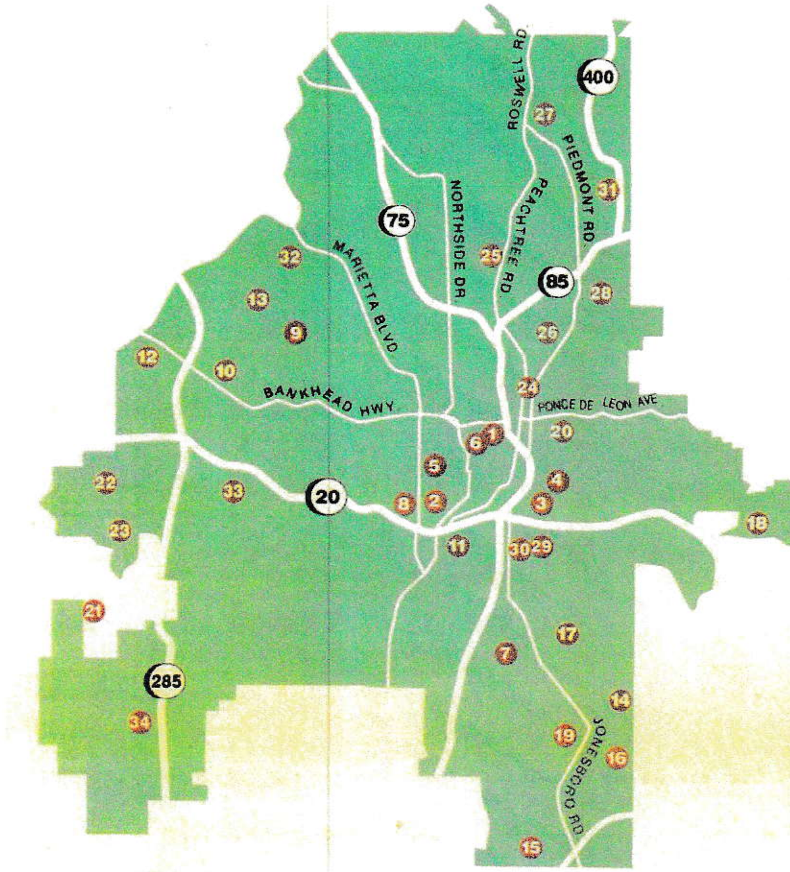
HOUSING AUTHORITY BY THE NUMBERS

- The Atlanta Housing Authority was created in 1936.
- Its stated mission is "to provide safe, decent and affordable housing" for low-income people in the city.
- The first public housing developments were in all-white or mostly white neighborhoods.
- Originally, public housing was for low-income white families who were saving to buy homes.
- Today, AHA developments house those who are mostly black, mostly unemployed and poor.
- In reality, two AHAs exist in Atlanta — one for the elderly and one for families.
- About 3,250 people live in AHA senior citizen housing, most of them in 17 high-rise buildings.
- About a third of the senior citizen buildings are outside the inner city in predominantly white midtown and Buckhead.
- Senior citizen buildings have few of the social problems commonly associated with AHA's family-occupied dwellings.
- About 27,500 people live in 28 family-occupied developments and one high-rise building encompassing about 11,770 units.
- Another 17,000 live in private-market (called Section 8) apartments that they are able to rent using federal housing subsidies.
- Today, 96 percent of the residents in AHA family-occupied buildings are black; 3 percent are white; and 1 percent are Hispanic or other minorities.
- More than 50 percent of people living in family-occupied housing are children or teenagers; 93 percent of the families are headed by single women.
- AHA's oldest family-occupied development, Techwood Homes, was built in 1936 at a cost of about $2.5 million. It is the oldest public housing in the United States, and currently has 457 units.
- Maximum rent in all AHA housing is 30 percent of a family's annual adjusted gross income. In 1994, 66 percent of AHA families have annual incomes of less than $5,500.
- Almost 30 percent of AHA families have lived in public housing for more than 10 years.

Public housing in Atlanta



1. Techwood
Built: 1936
Modernized: 1983
457 units
Clark Howell
Built: 1940
Modernized: 1984
624 units
Palmer House (e)
Built: 1966
250 units
Roosevelt House (e)
Built: 1973
257 units
2. University
Built: 1937
Modernized: 1991
500 units
John Hope
Built: 1940
587 units
3. Capitol
Built: 1942
Modernized: 1990
694 units
4. Grady
Built: 1942
Modernized: 1990
495 units
Antoine Graves (e)
Built: 1965
210 units
Graves Annex (e)
Built: 1973
100 units
5. Eagan
Built: 1941
548 units
6. Herndon
Built: 1941
Modernized: 1993
520 units
7. Carver
Built: 1953
990 units
8. Harris
Built: 1957
510 units
John O. Chiles (e)
Built: 1965
250 units
9. Perry
Built: 1955
944 units
Perry Annex
Built: 1969
128 units
10. Bowen
Built: 1964
650 units
11. McDaniel-Glenn
Built: 1968
Modernized: 1981
496 units
M.L. King Jr. (e)
Built 1968
Modernized: 1993
154 units
12. Bankhead Courts
Built: 1970
500 units
13. Hollywood Courts
Built: 1969
202 units
14. Thomasville Heights
Built: 1970
350 units
15. Gilbert Gardens
Built: 1970
220 units
Gilbert Gardens Annex
Built: 1971
48 units
16. Leila Valley
Built: 1970
175 units
17. Englewood Manor
Built: 1971
324 units
18. East Lake Meadows
Built: 1971
650 units
East Lake Meadows High Rise (e)
Built: 1971
150 units
19. Jonesboro North & South
Built: 1972 and 1970
260 units
20. U Rescue Villa
Built: 1972
70 units
21. Kimberly Road
Built: 1973
300 units
22. Waits Drive
Built: 1975
79 units
23. Wildwood Lakes
Built: 1976
119 units
24. Juniper and 10th (e)
Built: 1974
150 units
25. 2240 Peachtree Road (e)
Built: 1976
197 units
26. Westminster Apartments
Built: 1975
32 units
27. 3601 Piedmont Road (e)
Built: 1977
209 units
28. 2170 Cheshire Bridge Road (e)
Built: 1976
162 units
29. Georgia Avenue Apartments (e)
Built: 1978
81 units
30. Martin Street Plaza
Built: 1979
60 units
31. Marian Road (e)
Built: 1980
240 units
32. Marietta Road (e)
Built: 1982
130 units
33. Hightower Manor (e)
Built: 1982
130 units
34. Barge Road (e)
Built: 1981
130 units

(e) elderly

Source: Atlanta Housing Authority

➤ *Continued from preceding page*

Fortson decided to talk about her concerns and suggestions about AHA with Lester, who was bishop of The Shrine of the Black Madonna, only to discover he was also uninterested, she recalls.

Fortson found an ally in tenant advocate Watley, however, and the advocate took the new commissioner under her wing. Fortson came to rely on Watley for the kind of information she did not receive from AHA staff.

Voting rights for residents

"The first time Jane Fortson saw [an AHA] budget, she saw it here," says Watley during an interview at the Carver Homes Cooperative, where she spends much of her time. "I got it from HUD under the Freedom of Information Act."

Fortson says, "[I felt like] all the cannons were turned on me. I questioned whether I shouldn't just resign since I didn't feel effective. But more and more of the residents started saying that I was the only one who would listen and represent their interests. To me that's what it's all about. So, I decided to stay and fight."

After discovering that the two resident members of the board were not allowed to vote on AHA matters, she enlisted the help of state Rep. Grace Davis to "quietly" push a bill through the General Assembly in 1989 making resident representatives full voting members of the board.

When Hider and other top AHA officials heard that the bill was moving quickly through the legislative process, they "went berserk," according to Fortson. But the bill passed anyway. With the new resident votes on the board, Lester was ousted and Fortson was elected chairman.

The search for a director

Hider retired from AHA in 1990. Mayor Maynard Jackson appointed one of his political allies, Delmar Corbin, to head the authority even though he had no previous experience in housing. Corbin quickly discovered he was in over his head, and the authority reopened its search for a new executive director.

While Fortson traveled extensively on business, she took time to visit other public housing authorities around the country. Everywhere she went, she asked who the best and most capable directors were, and the name Earl Phillips came up over and over. After she contacted Phillips in Miami, a lengthy courtship ensued that included AHA, Mayor Jackson, HUD and the business community.

But as soon as a deal was struck, Fortson discovered another side of Phillips' personality. He "became a Jekyll and Hyde character unlike anything I've ever seen in my life," she recalls.

"Jane worked very hard to bring Earl to town, and he betrayed her," Watley recounts.

First, Phillips cautioned Fortson to stay at arm's length from the administration, lest he be perceived as "a white woman's lackey."

Then, within days of accepting the AHA position, Phillips went back to Miami and told reporters and local housing officials he had rejected Atlanta's offer, according to Fortson.

"It was a blatant lie," says Fortson. "That should have been a red flag."

Getting to know 'Mr. Hyde'

Not long after arriving at AHA, Phillips scuttled the agreement between the private business consortium known as PATH and AHA for the redevelopment of Techwood Homes. PATH was a group of private businesses, spearheaded by Prentiss Properties. AHA selected PATH, at a cost of $500,000, to manage Techwood redevelopment, which was going to be a combination of mixed-use and mixed-income housing.

In a mixed-use development, commerce exists alongside residential sections. Small business and professional offices serve the needs of nearby residents. Mixed-income development allows subsidized renters to live among middle- and upper-middle income residents paying full-market rents.

Fortson, along with dozens of others on the team, had fought a protracted and controversial battle to forge a compromise with angry community activists to "use the momentum of the Olympics to create something innovative for public housing residents." When Phillips scuttled the entire plan in favor of bringing in his own team, at an additional cost to AHA, Fortson was "angry and upset," she recalls.

Phillips told Fortson she was "well-intentioned but naive and that [she] could not see the PATH team was a plot by the white business community to take over Techwood and public housing," Fortson remembers.

"I said, 'Earl, what are you talking about?'

"And he said, 'if you're white, you can't see this. But this is a plot.' "

Fortson was stunned. Phillips' and Fortson's subsequent relationship deteriorated rapidly to a point that other board members felt the animosity prevented AHA from addressing its many problems. On one occasion, Phillips convened a special board briefing on the AHA budget while Fortson was away on a business trip and failed to inform her of the meeting.

As Fortson noted from the beginning of her tenure in 1988, AHA staff provided little financial information to the board and board members never asked for more.

Secret tape recording

In an apparent effort to remedy this, HUD recommended in 1991 that AHA's board create the position of internal auditor to monitor the authority's programs.

But federal regulators examining board meeting minutes in 1992 and 1993 noted that no financial reports were given from the executive director or the director of finance to board members, despite the presence of the internal auditor.

The auditor, who had finally been added to the staff in June 1992, was to have reported directly to the board's audit committee. But by October 1992, Phillips had compromised the auditor's independence by arranging for the auditor to report to him daily.

As the mutual mistrust between Phillips and the AHA board grew, the executive director's relationship with his own staff was becoming increasingly belligerent. In November 1992, Phillips caught wind of a meeting between AHA residents and field staff. A meeting was scheduled but never occurred.

Nonetheless, Phillips summoned a group of resident managers and maintenance staff to his office. A surreptitious tape recording of the meeting, made by one of the participants and obtained by the Chronicle, reveals that the executive director browbeat and threatened his employees.

In the tape, he loudly harangued each staff member into confessing a conspiracy to undermine his authority. Phillips' outburst is laced with profanity and threats to fire the men and women in the group. At one point, he tells a female employee who refuses to divulge the names of residents she talked to, "I will burn your ass, I just want you to know that. You got one coming from [sic] you, sister girl."

Dead end on the paper trail

The AHA director had ample reason to be wary of those around him, especially regarding what they might tell regulators. HUD was keenly aware of the difference between what AHA was saying and what HUD regulators saw with their own eyes. Watley says she warned HUD officials, with whom she was in regular contact, about Phillips' behavior early in his tenure.

In 1993, federal regulators discovered Phillips' "executive benefits package" was being paid from AHA's Section 8 program, even though that violated the program's regulations. That violation led to a full HUD audit this year of AHA's $39 million Section 8 operation covering the period between July 1993 and June 1994.

The familiar pattern in over a decade of HUD audits of AHA was echoed by the Section 8 findings. Among these were the following:

■ Maintenance and inspections were often substandard, and HUD inspectors routinely failed units supposedly "passed" by AHA.

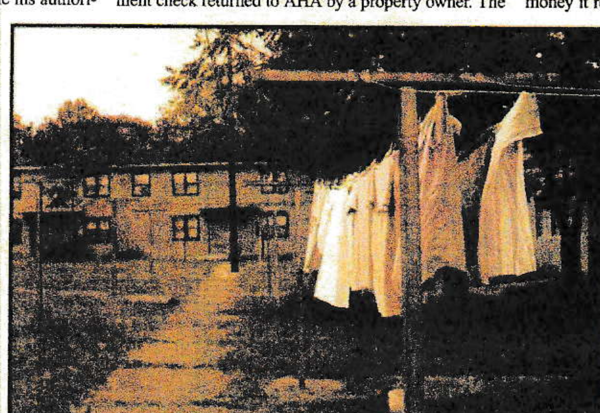
■ Federal regulators found evidence that liquid paper had been used to alter inspection reports, but they couldn't determine the reasons for the alterations.

■ AHA's Section 8 procedures were so sloppy that notices sent to people on the waiting list for housing contained the signature of a former AHA employee who was deceased.

■ Financial records from AHA's Section 8 program were so incomplete, auditors were unable to verify how federal Section 8 money was spent.

■ Appropriations were requested by AHA, and approved by HUD, for two new Ford Rangers at a cost of $30,000. When the HUD auditors visited AHA, however, no evidence could be located that the vehicles had ever been purchased. The $30,000 was unaccounted-for in the records AHA made available.

■ Among the scant financial information they did receive, auditors noted a June 9, 1994, duplicate payment check returned to AHA by a property owner. The Section 8 audit notes, however, "due to the lack of internal controls it is likely that there may be other instances when owners may receive duplicate payments, but do not return the duplicate payment."


ALLISON SHIRREFFS

Eagan Homes: AHA has been on the nation's troubled list since 1990.

Never turned over to auditors was the general ledger showing AHA's Section 8 expenditures. Now, federal regulators say they will return to AHA for a more comprehensive examination of Section 8 expenditures.

Stuck on 'troubled' list

Section 8 vouchers once were regarded as the innovation that would rejuvenate the mission of public housing. Intended as the vehicle to end warehousing and segregation of the poor from other segments of society, Section 8 became the centerpiece of public-housing reform legislation passed by Congress in 1974.

Section 8 assistance peaked during the late 1970s, but HUD's budget went on the chopping block after President Ronald Reagan took office in 1981. As homelessness skyrocketed during Reagan's second term, the 1985-1989 funding for public housing programs totaled $33.2 billion, barely $3 billion more than Congress appropriated for a single year to cover the same programs in 1980.

After years of neglect of housing matters, the National Affordable Housing Act of 1990 replenished HUD's coffers and overhauled the agency in an attempt to stem the housing crisis.

Congress intended to make HUD accountable for the money it received. HUD was required to maintain staff and training levels that ensured proper delivery and monitoring of housing funds.

Public housing management reforms also were mandated. A list of criteria with assigned values was devised to evaluate public housing authorities and took effect in late 1990. Categories are assigned based on those values. The criteria are known collectively as the Public Housing Management Assessment Program (PHMAP). Based on PHMAP scores, housing authorities are designated as "high performers," "standard performers," "troubled" overall or "troubled" with respect to renovation efforts. AHA immediately made the troubled list in 1990 and has been on it ever since.

HUD's top public housing officials in Washington did not return calls about AHA and about HUD's relationship with the troubled authority.

Oversight by HUD

For "troubled" authorities, HUD must negotiate agreements setting specific target dates for improved performance, strategies to achieve agreed-upon goals, and incentives to meet the goals. HUD can penalize authorities by turning over their management to another authority or placing them in receivership, among other sanctions. HUD money for modernization can be withheld until an authority overcomes its troubled status.

Despite the laudable goals of the 1990 law, HUD has failed to carry out many of its provisions. HUD's internal ombudsman reported in 1993 that authorities often cannot verify PHMAP data.

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She wouldn't live anywhere else

Watley

Louise Watley has lived in Carver Homes for 40 years because she prefers it to living anywhere else.

"It's not where you live, but how you live," she says.

And Watley has lived a fascinating and multifaceted life. She is a walking encyclopedia on public housing and problems facing poor and disenfranchised people in Atlanta. Her personal and political connections stretch from rural Georgia to the corridors of power in Washington, D.C.

Her personal appearance is as unpretentious as her speech. When visitors call at the Carver Homes Cooperative where she works, they find the motherly Watley clad in faded jeans and a dark cardigan sweater. Settling behind a cluttered desk, she percolates with ideas expressed in colorful colloquialisms. Watley calls it like she sees it.

She believes Atlanta's black political establishment doesn't really want conditions to improve for poor people. "They don't really want things to change because they want to use poor folks to do things for themselves. If we pull together and make things happen, we're going to make them look stupid," she says.

Watley's philosophical outlook is very much in vogue these days. She preaches individual responsibility and civic pride.

"Welfare has been a hindrance to our people," she says.

In the world according to Watley, people have more in common than they realize and communication is often the biggest obstacle.

"Atlanta is not the city too busy to hate; it's just the city that forgot how to love," she explains. "The residents and the business community need to talk. They're not the enemy all the time. They want the city and public housing to look good because it tarnishes our image. Nobody's going to come in if it's crime-infested."

Watley's high profile has made her a touchstone on many issues, and people from all walks of life turn to her for support and advice. But she doesn't hesitate to criticize when she feels compelled. Take the black business community, for example.

"The black community in this city, the so-called black mecca, has failed its own community. We don't do nothing for each other. We don't help each other. Renée's [Glover] biggest problem is pulling the black community together," Watley laments.

— Julie B. Hairston and Michael Hinkelman

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For example, when AHA's acting Executive Director Rod Solomon appealed AHA's troubled designation earlier this year, he claimed in a letter to HUD that AHA had consistently maintained 100 percent completion of emergency work orders within 24 hours. Having disclosed 7,000 backlogged work orders in AHA's computerized work order system in March, HUD denied his appeal this summer. AHA and HUD repeatedly argued over the authority's PHMAP scores.

"The problem is that the PHMAP indicators don't mean squat if people are lying in them," observes current Executive Director Glover. "The real accountability is what is going on out in the properties. We substantially changed the PHMAP report because we thought [the April submission] was a whole lot of hogwash."

Inspectors from Washington who visited four HUD field offices, including Atlanta, found PHMAP reports that regional offices received were unreliable. Also, staff levels at HUD regional offices are insufficient to meet their monitoring responsibilities, according to HUD's inspector general, because Congress has mandated so many new programs. For example, in the past year, HUD's Atlanta field office has assumed responsibility for monitoring more than a dozen new programs and added no new staff.

Problems from top down

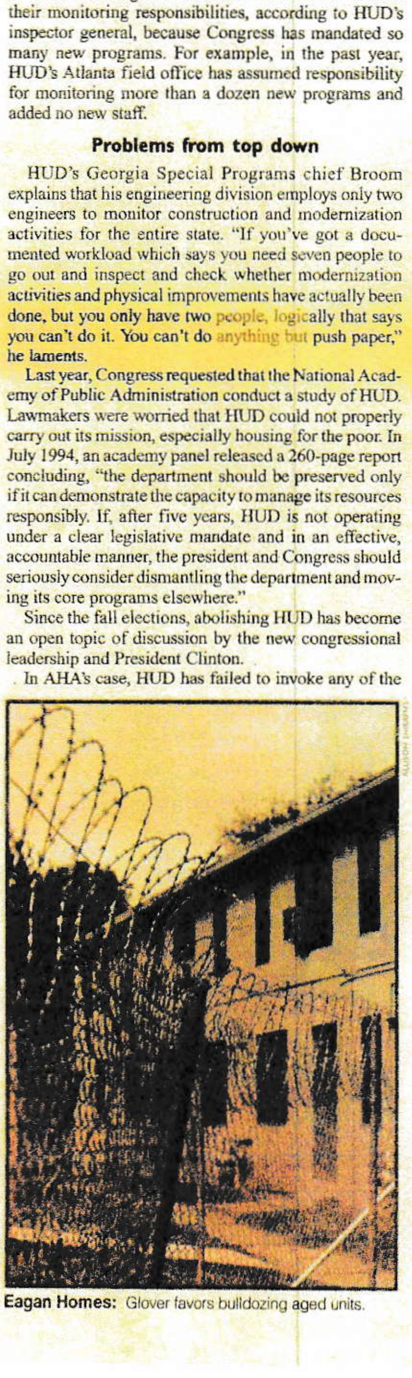
HUD's Georgia Special Programs chief Broom explains that his engineering division employs only two engineers to monitor construction and modernization activities for the entire state. "If you've got a documented workload which says you need seven people to go out and inspect and check whether modernization activities and physical improvements have actually been done, but you only have two people, logically that says you can't do it. You can't do anything but push paper," he laments.

Last year, Congress requested that the National Academy of Public Administration conduct a study of HUD. Lawmakers were worried that HUD could not properly carry out its mission, especially housing for the poor. In July 1994, an academy panel released a 260-page report concluding, "the department should be preserved only if it can demonstrate the capacity to manage its resources responsibly. If, after five years, HUD is not operating under a clear legislative mandate and in an effective, accountable manner, the president and Congress should seriously consider dismantling the department and moving its core programs elsewhere."

Since the fall elections, abolishing HUD has become an open topic of discussion by the new congressional leadership and President Clinton.

In AHA's case, HUD has failed to invoke any of the sanctions available to it under the law to improve living conditions. Rather than impose sanctions such as limiting or withholding funding or administrative penalties, HUD regional officials simply renegotiated agreements with AHA over and over, changing the target dates for improvement. The officials even increased AHA's operating subsidy as well as its modernization funds for 1994.

Despite uncovering suspicious activities in its audits, HUD's regional inspector general's office has never turned to its investigative branch, according to a key HUD official.


Eagan Homes: Glover favors bulldozing aged units.

'Quit trying to pretty things up'

As 1994 ends, HUD and AHA are negotiating a new agreement. What each is hoping is that a new administration at AHA, led by Executive Director Glover, will transform the authority's dismal track record into a new vision of public housing. Glover began her relationship with HUD, which so far is vastly more amicable than Phillips', by acknowledging that AHA's programs are, in her words, "in the ditch."

"There's significant differences with the new administration," Broom observes. "They are basically throwing all that BS overboard and saying we've got some serious problems and let's quit trying to pretty things up. Let's get to the core of the problem."

Now, Glover and her staff are devising a systematic strategy to attack the problems identified in the 1994 audit and to redefine AHA's approach to its mission. She began by setting a new tone at the top, banning all personal use of AHA vehicles, forging close ties with her board members and routinely making personal visits to AHA communities, something her predecessors rarely did. Even her $155,000 annual salary is significantly less than Phillips' $197,500.

When cosmetic change fails

Although she is forming bonds with HUD, AHA tenants and board members, Glover harbors no affection for the massive 30-to-50-year-old developments that characterize AHA. She believes that warehousing the poor in segregated facilities is a public-policy failure that devours human lives and tax dollars. Her vision of public housing seeks to bulldoze a lot of the massive developments and apply a fresh, innovative perspective to its problems.

"If it turns out that we don't have all the money we need, we are going to use our authority to deal with the systems first. Doesn't make sense to put brick on something when you've got raw sewage backing up into somebody's house," she says. "Where we've been short on money, we've dealt with the cosmetics and not with the infrastructure. It's killing this authority."

At least part of the reason AHA poured millions into renovation of buildings long past their useful lives, however, is that, until recently, federal law prohibited use of HUD money for new construction or replacement housing. Now, under a federal law passed this year, housing authorities may use as much as half of their annual modernization funding to provide new housing if it is more cost-effective than renovating existing units.

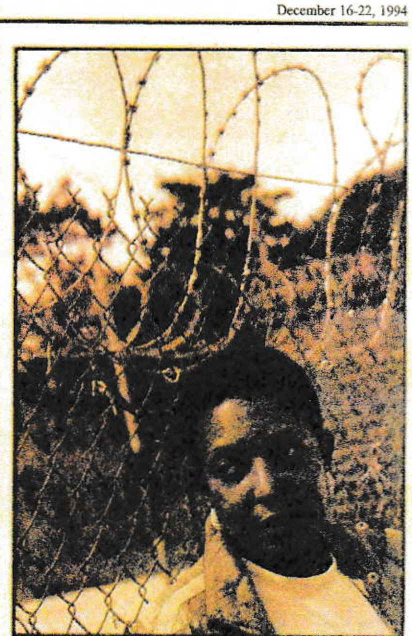
Glover believes such opportunities will allow her to transform AHA, even as she institutes more fundamental reform in its day-to-day management. Ultimately, success on either front is contingent upon two factors. One is federal funding, and the other is AHA's institutional culture.

Money from Washington

Her desire to renew AHA's physical infrastructure depends heavily on large infusions of federal dollars, a prospect which now appears unlikely with Republicans in control of Congress. HUD and other social programs rank high on the list of spending the new congressional leadership wants to slash.

"I think at the end of the day, reason will prevail," Glover says. "If I read it correctly, the heart of what Republicans are saying is accountability — are we making good use of tax dollars? If we change the strategy in the way that we want, it will have both accountability and strategic and good use of money. That kind of program can be sold to both Republicans and Democrats."

Unfortunately, the program Glover is counting on to allow the redesign of public housing communities is known as HOPE VI, a federal initiative for troubled and distressed housing authorities. HOPE VI is the centerpiece of HUD Secretary Henry Cisneros' plan to change the face of urban public housing. This year, AHA received a $42.6 million grant from HOPE VI to reconstruct and revitalize the Techwood and Clark Howell communities in time for the Olympic Games.


'Jury's still out': AHA Executive Director Renée Glover

Such funding may be a one-shot opportunity, however. HOPE VI now enjoys limited support in Congress, according to Brent Shipp, a housing analyst with the Congressional Budget Office. Congress scaled back funding for HOPE VI in 1995 by $278 million from its 1994 level.

"We're going to have to take what we've got and make it do what we want," says tenant advocate Watley. "We can't count on big money coming down from Congress."

Cleaning house at AHA's top

So, as federal funds become more scarce, AHA's ability to manage its resources efficiently becomes more critical to its success. Here, Glover has only made modest headway. The AHA administrative budget, which became grossly bloated under Phillips, according to the 1994 audit, has been reduced by $150,000. Overall, Glover's first budget is about $110 million, $2.5 million less than last year's.

"In Glover, you have a management style that is Darwinistic and performance-oriented," says board Chairman Sweet. Glover is trying to "right-size" AHA's central administration by cutting jobs from middle management, according to Sweet.

For now, she has replaced almost all of Phillips' division directors and hired their replacements on an employment-at-will basis. Simply put, employment-at-will means Glover can fire any lieutenant at AHA who fails to measure up to the standards she sets.

"Primarily, it is a policy decision," she explains. "And because we're in this troubled pattern, we need to put the agency in a position that we can act quickly."

Glover's first marching order to her new corps of lieutenants was to formulate an "action plan" creating comprehensive policies and procedures to address the systemic problems that have long plagued AHA. During a recent interview, Glover produced a fat, preliminary document outlining AHA's new maintenance procedures step by step.

"What we have found since we have been here is that there aren't any systems in place," she says.

"Given the far-reaching, widespread problems that we have, if you don't put the systems in place and whittle it down, you'll never get there."

HUD officials have had a look at Glover's action plan, too. Although they say it needs further refinement, they deem it a big step in the right direction. But after more than a decade of low morale and mismanagement, will AHA employees follow her lead?

"The jury's still out on Renée [Glover]," says Watley.

It's better in San Juan

Glover is not the first executive director to proclaim a new day at AHA. In November 1983, three years after taking the helm of the authority, Hider claimed to have transformed the agency into a "model" operation. After seven additional years of HUD audits disputing this claim, Hider retired with a generous package of benefits and made way for a new administration. By 1993, while the authority was still included on HUD's troubled list, Phillips claimed that AHA was on the way to becoming "an international showcase" of public housing.

The public housing authority actually winning acclaim as an international showcase is in San Juan, Puerto Rico. That authority has divided its developments into smaller, more manageable sectors and bid out some of its operations to private companies, maintenance in particular. Watley visited the San Juan authority earlier this year.

"The residents are happy," she reports. "When they call, they can get things fixed the same day or the next day."

Turning to the private sector

Privatization is an often-discussed option for reducing cost and raising efficiency in AHA's operations. Glover maintains close ties to the private sector and recently hired Virginia Gorday, a former Portman Cos. vice president of property management, to direct AHA's housing management division. Another new hire is Diane Durgin as AHA's acting general counsel. Durgin moves over from Georgia-Pacific Co., where she was chief legal officer.

Glover says she will consider privatizing whatever services can be delivered better for less cost by the business community. Currently, AHA officials are weighing the merits of private security.

Glover also hopes that if AHA improves its procurement procedures and develops better relationships with local builders, more mainstream construction firms will bid on AHA contracts. HUD auditors found that AHA relies on a small pool of contractors for its goods and services. Most of the authority's modernization contracts have been awarded to firms from outside the Atlanta area.

The rarity of reputable local builders with AHA contracts has not been lost on AHA residents. Work performed on housing authority property has often been shoddy, according to authority officials and residents alike. Materials used in the year-old renovation of Herndon Homes, for example, produced a faux-stucco facade that AHA Engineering Director Jim Brooks recently demonstrated could be penetrated with an index finger.

"[Some AHA contractors] have got a public housing mentality," Watley observes. "They come in here and do one kind of work, and go out there [on other types of projects] and do another kind of work."

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Atlanta's business community has responded to Glover's overtures with tentative support, unlike its response to earlier entreaties from Fortson in the late 1980s and early 1990s.

The former gulf between business and AHA, Glover explains, "was a function of the style of who was here. This is not unique to Atlanta, but I think public housing authorities around the country are having to rethink the turf approach.

"As a policy matter, we're really trying to change that and get people involved. It is very much the business of this community, and not just the housing authority, to get this thing to work. Once people really understand what the issues and problems and challenges are, I think there will be a significant buy-in," she says.

Her sentiments are echoed by investment banker Terry Duvernay, director of urban finance at CS First Boston in Atlanta. Duvernay, until September, was HUD Secretary Cisneros' top deputy. "Leadership will have to come from the broader community. You can't hold the feet of the folk who manage public housing to the fire unless you're part of the compact."

Rebuilding public trust

Support from business is only a small part of a much larger effort needed to change the face of Atlanta's public housing. AHA's deplorable condition is a violation of the public trust that has been decades in the making and won't be alleviated overnight. The key to change is rededication to the mission to provide safe, decent and affordable housing. That task begins with bringing a sense of order and continuity back to AHA by making the tenants' well-being the authority's first priority.

The greatest barriers Glover faces are Atlanta's racial and class hostilities. Public housing, as currently configured, has allowed the city's middle and upper classes to ignore the humanity of AHA residents and to perpetuate stereotypical images of crime, violence, poverty and aimlessness.

"You've got to have mixed income. You can't isolate poor people," Fortson observes. "You have to look at a very serious demolition, a new kind of voucher, and establishing scattered site housing."

In order to make progress toward those goals, Glover must have independence from political interference, good will from all sectors of the Atlanta community, a good relationship with HUD, funding from Congress and cooperation from her AHA employees. Without such widespread and uninterrupted support, extending well beyond 1996, Glover's efforts will be doomed no matter how well-intentioned or competent she may be. ❐

ABOUT THE REPORTERS

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In 1993, Hairston won the Award for Communications Excellence (ACE) from the Atlanta chapter of Women in Communications Inc. Her column for Business Atlanta was named "Best Column" by the Magazine Association of Georgia in 1989, 1991 and 1992.

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Hinkelman won a prestigious Gerald Loeb Award and a first-place award from the Education Writers Association for a 1992 Chronicle story on the Atlanta public school system. This year he was a runner-up for a Green Eyeshade Award for a 1993 Chronicle article on the demise of the Federal Savings Bank.

After graduating from Ithaca College in upstate New York, Hinkelman earned a master's degree in journalism at Syracuse University.