

# United States Senate

WASHINGTON, DC 20510

November 4, 2011

## Via Electronic Transmission

The Honorable Shaun Donovan  
Secretary  
U.S. Department of Housing and Urban Development  
451 7th Street S.W.  
Washington, DC 20410

Dear Secretary Donovan:

We read with interest the recent *Boston Globe* article (see attached) revealing yet another Public Housing Authority Executive Director receiving an outrageous salary plus compensation due to lax oversight by both the Department of Housing and Urban Development (HUD) and the local authorities, under whose purviews those responsibilities fall. As ranking members of the Senate Judiciary Committee and the Homeland Security Subcommittee on Federal Financial Management, we have consistently raised concerns about waste, fraud and abuse of federal funding.

The *Boston Globe* article, documenting excessive salary and benefits paid to the Chelsea Housing Authority (CHA) executive director, reinforces our efforts to ensure effective oversight of the housing programs across the country. The *Boston Globe* states that the Executive Director, Michael E. McLaughlin, managed 1,415 housing units in a city of 35,000. For this, he received a "salary of \$334,642 and an additional amount equal to four weeks of unused vacation - \$25,741 for this year" for a total package of \$360,383 for this year. By comparison, the President of the United States receives a salary of \$400,000 per year, only \$40,000 more than this executive director.

The CHA Board of Commissioners that was in place to oversee CHA and protect taxpayer interests instead rewarded the director with raises averaging over \$25,000 per year. The article did not state whether the executive director received additional benefits such as car and driver or a housing allowance, that have been provided by other housing authorities to their directors so the compensation package may be significantly higher than reported.

According to the *Globe* article, Mr. McLaughlin admittedly lied to the State about his bloated salary and brushed it off as an act of rebellion—this is outrageous. HUD now requires that public housing authorities disclose the salaries of their five highest-paid employees. The fact that Mr. McLaughlin's actions have been able to escape detection until now raises concerns about how accurate these salary disclosures will be, what steps HUD will take to verify the information, and what punishment will be given for proving false information.

More egregious for the taxpayer is that when Mr. McLaughlin may retire in January 2012, he may receive an estimated annual pension of nearly \$279,000. He would also be eligible for unused sick leave reportedly worth approximately \$200,000. Please respond to the following requests:

1. Provide a copy of Mr. McLaughlin's most recent employment contract and all financial statements filed by the Chelsea Housing Authority to HUD from 2007 to present, including any statements made about executive director salary and all benefits.
2. Has HUD taken any steps to determine whether the executive director has made false statements about his compensation to any federal entity? If so, what has been determined? If not, why not?
3. Please document the amount of stimulus funding provided to the Chelsea Housing Authority and how the funding was used.
4. What additional oversight is HUD conducting at the Chelsea Housing Authority to ensure that all federal funds, including Stimulus funds, are protected against waste, fraud and abuse? Please be specific.
5. Given that Mr. McLaughlin acknowledged that he was investigated for political corruption prior to obtaining his current position, what steps did HUD take to mitigate any problems that might occur during his tenure?
6. Please document any conflict of interest waivers filed by the Chelsea Housing Authority and Board of Commissioners with HUD.
7. Please provide the names of all nonprofit affiliates with ties to the Chelsea Housing Authority. Please include the names of all officers and their salary/benefit packages.
8. Please document all legal bills paid by the Chelsea Housing Authority.

Accordingly, please provide responses by no later than November 18, 2011. If you have any questions regarding this letter, please have your respective staff members contact Brian Downey with Senator Grassley's Office at (202) 224-5225 or Kristen Granchelli with Senator Brown's Office at (202) 224-5873.

Sincerely,



Charles E. Grassley  
Ranking Member  
Senate Judiciary Committee

Scott P. Brown  
Ranking Member  
Subcommittee on Federal Financial Management

cc: The Honorable John P. McCarty  
Acting Deputy Inspector General  
Office of the Inspector General  
U.S. Department of Housing and Urban Development

Attachment

October 30, 2011 Sunday

**SECTION:** NEWS; Metro; Pg. 1

**LENGTH:** 1550 words

**HEADLINE:** Chelsea housing chief's pay draws fire;  
Defends \$360,383 salary, but hid true sum from state

**BYLINE:** By Andrea Estes and Sean P. Murphy, Globe Staff

**BODY:**

CHELSEA - He is one of the highest-paid public housing officials in the United States, a man of unabashed self-regard who says he is to his profession what Hall of Famer Joe Montana was to football.

In this hard luck city of 35,000, Michael E. McLaughlin makes \$360,383 a year to oversee 1,415 apartments for low-income people. It's nearly twice the salary of the housing chief in New York City.

McLaughlin, whose pay has risen nearly fivefold during his 12-year tenure, said the big salary is a reward for turning around the troubled Chelsea Housing Authority.

But he admits he has been concealing his full compensation from the state, which pays his salary along with the federal government. In annual filings, McLaughlin tells state housing officials that he makes \$160,000, less than half of his actual pay, something he chalks up to "the rebel in me."

McLaughlin's deliberate understatement of his earnings has allowed him to avoid public scrutiny at a time when a prominent US senator has been crusading against excessive salaries for the people who oversee low-income housing. But the Globe obtained McLaughlin's employment contract, revealing a compensation package that may be unmatched in American public housing.

Now, with McLaughlin preparing to retire in January and collect perhaps the largest pension in Massachusetts history, the state inspector general is vowing to get to the bottom of how a controversial politician who was nearly fired from at least one previous municipal job and repeatedly investigated in others could wind up making so much money.

"It's shocking, offensive, and insulting to the taxpayers," said Inspector General Gregory W. Sullivan. "We will look into this, especially the deceptive reporting to the state."

State housing officials also threatened to audit the Chelsea Housing Authority's finances to ensure that \$2 million a year in state funds going to the agency each year actually benefits the needy.

Far from being nervous about the scrutiny, however, McLaughlin seems unabashed, almost boasting about his upcoming pension, estimated at \$278,842 based on his earnings and years of service. That would eclipse the controversial \$199,000 pension paid to former Senate President William Bulger as well as the pensions paid to four former University of Massachusetts officials who currently top the list.

"It will be right up there, no question about it," he said in an interview. When a Globe reporter suggested his pension would be about \$250,000 a year, McLaughlin corrected him. "Higher. I think it will be higher."

McLaughlin's contract also allows him to cash in unused sick leave, which means he could collect a one-time payment of about \$200,000 when he retires.

McLaughlin, 66, a gregarious politician who has shown a knack for narrowly escaping trouble, was hired by the Chelsea housing board in 2000 as the city was emerging from years of near-bankruptcy and state receivership.

First elected to the House of Representatives in 1970, McLaughlin seemed to live on the edge of trouble as he moved through various government jobs. As a Middlesex County commissioner, he was caught on a wiretap talking

to a convicted mobster; later, he was subpoenaed amid questions about the commissioners' attempt to sell the East Cambridge courthouse to a developer at a below-market price. He was never sanctioned in either case.

McLaughlin acknowledged being investigated for political corruption but said that "everyone who ran for office in Middlesex County was investigated."

Switching to municipal government, McLaughlin barely kept his job as Methuen town manager on a 5-to-4 vote of the Town Council in 1991 after complaints that he was a tyrannical leader.

When McLaughlin got the Chelsea position in 2000, a Globe editorial warned that his background was reminiscent of the "bad old days" when the city was racked by municipal corruption. The paper warned Chelsea to "monitor McLaughlin carefully."

But McLaughlin said he found a housing authority in desperate need of his leadership. The agency had been so badly mismanaged, he said, that he probably wouldn't have taken the job if he had known going in. Hired at \$77,500 a year, he says he worked hard to fix problems, recruiting talented managers and saving the agency millions of dollars by cutting the staff by half. He also tightened security.

"The housing authority is in fantastic shape," he said. "That's a cold hard fact."

His view of his own work finds support from the leader of a group that represents public housing officials in the state.

"When it comes to running a housing authority, Michael is a superstar," said Thomas J. Connelly, executive director of the Massachusetts chapter of the National Association of Housing and Redevelopment Officials. "The place was a blight on the community. They were in receivership and the state tried to run it. They had drugs, graffiti, people who were not paying the rent. The buildings were falling down. Now, he has a high performing housing authority. That's HUD's own term."

The housing authority's five-member board, four of whom are appointed by the city manager and one by the governor, rewarded McLaughlin with generous and steady pay raises - a yearly average of \$25,714 or a total of \$257,142 over a decade.

He currently receives a salary of \$334,642 and an additional amount equal to four weeks of unused vacation - \$25,741 for this year. His total compensation of \$360,383 now is 18 times higher than the income of the average family living in Chelsea public housing.

Chelsea's city manager, Jay Ash, said he did not even know McLaughlin's salary, but the chairman of the board of commissioners readily defended it.

"He's worth every penny of it," said Henry Cordero, a longtime member of the unpaid board and a court officer by profession.

"Do you see any graffiti in the projects?" he asked in an interview at his home. "You would think there'd be some graffiti, but there's none."

Cordero called hiring McLaughlin "the best move we ever made. There isn't enough space on the walls in his office for all the awards the housing authority has won."

Cordero acknowledged that he sometimes calls McLaughlin on behalf of a prospective tenant "to ask where he is on the [waiting] list for housing. Do I tell him to move someone higher on the list? Absolutely not."

For his part, McLaughlin likened his situation to that of Hall of Fame quarterback Joe Montana, one of his heroes, when Montana's boss, San Francisco 49ers owner Eddie DiBartolo, gave him a big raise.

"We want you to be the highest-paid player in the NFL. You deserve it," DiBartolo told Montana. "That's the way it was with me."

If other housing officials earn far less money, he said, "they're grossly underpaid."

Today, McLaughlin makes vastly more than housing directors who manage far bigger agencies. Boston Housing Authority administrator William McGonagle makes a little more than a third of McLaughlin's compensation even though his agency (the largest landlord in Boston) manages 20 times more units and low-income

renters than Chelsea, which oversees about 900 low-income apartments and 500 low-income individuals and families with rental vouchers.

McLaughlin's pay is higher even than that of ousted Philadelphia Housing Authority executive director Carl Greene, whose base salary of \$306,376 was described as "disturbing" by US Senator Charles Grassley, the ranking Republican on the Senate Finance Committee.

In a highly critical letter to the secretary of housing and urban development last year, Grassley expressed "shock" that HUD didn't track housing executive salaries. This summer, HUD put in place regulations that will require local housing authorities to post the compensation of their top five employees starting in 2012.

Federal officials, who provide an estimated \$4 million of the \$15 million in revenue collected by the Chelsea Housing Authority each year, had no comment on McLaughlin's compensation. They said they had no documents readily available showing his pay.

However, state officials, who provide \$2 million a year to the housing authority, were perplexed to learn that McLaughlin's salary was much higher than the \$160,000 he reported to them.

The documents from the Chelsea Housing Authority indicate that only \$35,000 of McLaughlin's salary comes from state dollars.

The Department of Housing and Community Development's chief legal counsel, Deborah Goddard, said the agency will review documents submitted by the Chelsea board to determine whether they contain false information.

"We expect that the signed financial statements submitted by housing authority boards are true and accurate," she said in an e-mailed statement.

McLaughlin acknowledged that he low-balled his compensation in the state filings, noting that he has clashed with state officials in the past. He said "the rebel in me" made him think that if they wanted to know his full salary, they could find it on their own.

McLaughlin also acknowledged his turbulent past, but said he wants people who judge him to remember one thing:

"I've never been convicted of anything," he offered. "I have a clean record.

"And I want to say my juvenile record is clean, too."

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