Politically-connected Nonprofit Makes Millions Putting Homeless Families in Unsafe Homes

Benjamin Foldy
Cuny Graduate School of Journalism

How does access to this work benefit you? Let us know!
Follow this and additional works at: https://academicworks.cuny.edu/gj_etds
Part of the Urban Studies and Planning Commons

Recommended Citation
https://academicworks.cuny.edu/gj_etds/322

This Dissertation/Thesis is brought to you for free and open access by the Craig Newmark Graduate School of Journalism at CUNY Academic Works. It has been accepted for inclusion in Capstones by an authorized administrator of CUNY Academic Works. For more information, please contact AcademicWorks@cuny.edu.
Politically-connected nonprofit makes millions putting homeless families in unsafe homes

The five-story apartment building at 1329 Clinton Avenue in the Bronx, is supposed to provide safe housing to recently homeless families with children.

But city records show the roof leaks into one apartment. Other dwellings are infested with mice and roaches. The building has been cited by city inspectors for “major” and “immediately hazardous” heating and electrical violations. One resident called the city to complain that the building had no heat during a massive blizzard. In all, 19 of the building’s 26 residential units and an illegal conversion in the basement have open housing violations for disrepair and squalid conditions.

The building is run by the Acacia Network, the city’s largest contractor for homelessness services. It is not the only building in the Acacia portfolio with these kinds of problems. The building on Clinton Avenue and five more like it have hundreds of open violations with the city.

Despite that state of affairs, the Acacia Network has expanded rapidly in the last few years to become New York City’s largest recipient of public homelessness funds.

Throughout its rise, Acacia’s executives have donated tens of thousands of dollars to many of the politicians responsible for approving or overseeing their contracts. Its executives include former politicians and government appointees, including
bureaucrats responsible at one time for assigning its contracts for overseeing its activities. The nonprofit has spent hundreds of thousands of dollars lobbying for projects, and one of its lobbyists now serves as a high-ranking staff to the speaker of the state assembly.

In addition, Acacia operates for-profit subsidiaries that provide security and maintenance for its homeless shelters, raising questions for state authorities about the organization’s directing public funds to affiliated for-profit entities.

Acacia did not respond to repeated calls and written questions about conditions in its buildings, subcontracting, for-profit affiliates and political connections.

When it comes to housing, city records show Acacia has been putting homeless families into substandard apartments for years.

A review of violations as of November 2018 at Acacia-managed sites reveals hundreds of citations for a range of violations. Buildings and apartments have repeatedly struggled with pest infestations, mold, disrepair and serious electrical and heating hazards. In one building, inspectors recently cited the apartment for having hot water temperatures above 130 degrees, hot enough to cause burns in thirty seconds.

The building at 1329 Clinton is one of 25 used for homeless cluster housing managed by the Acacia in Manhattan and the Bronx, according to city records. In the cluster site program, nonprofits like Acacia rent private apartments that become exempted from rent-control and tenants rights laws so they can be used to house homeless families. For most sites, the city pays Acacia $95.59 a day for each apartment. Acacia then pays the landlords roughly half of that while keeping the rest for the provision of social
services, security and maintenance. As a result, housing homeless families in the cluster site programs costs the city between two and three times more than the apartments would cost on the open market, despite the units’ poor condition.

In the past, Acacia has often responded to city inspectors and reporters that violations at its sites are the fault of the landlords that own the buildings Acacia rents units from.

But Acacia’s city contract for overseeing cluster housing sites includes a clauses stipulating that Acacia will “assure a safe, comfortable environment” for those in their care and “shall be responsible for curing all violations and deficiencies.”

The organization’s tax returns also show that the hundreds of violations accrued despite Acacia directing $9.95 million in 2015 and 2016—the latest tax records made public—for “maintenance and repairs” to Distinctive Maintenance, a private company that internal documents show is a for-profit affiliate, despite the organization not identifying it as such in its tax filings.

Acacia Network Housing’s 2016 tax returns show payments of $5.7 million to related for-profit entity Distinctive Maintenance Co as an independent contractor. (Read the document here)
And court documents in a **personal injury lawsuit** involving Acacia and the cluster site’s landlord show Acacia is more than just a general contractor show that leaves the details to property owners.

Amanda Diaz-Pascall alleged that Acacia was responsible for the condition of a cluster site where she tripped and fell in 2011, allegedly sustaining permanent physical and mental injury. Acacia and the landlord both argued in the suit that the other party should be held liable. The case has since exempted Acacia, but exhibits and depositions in the case show that Acacia is responsible for upkeep of the cluster site apartments themselves their extermination costs and that Acacia oversaw and employed a group of building repairmen that operated at their subcontracted cluster housing.

At 1329 Clinton, city records even list an Acacia affiliate and Acacia’s CEO, Raul Russi, as the building’s managing agent. Acacia did not respond to requests for interviews or written questions for this article.
The city’s Department of Housing Preservation and Development site shows that Acacia CEO Raul Russi is a managing agent at 1329 Clinton, acting on behalf of Acacia’s housing subsidiary.

The Clinton building is one of six structures that could be clearly identified as places where Acacia rents all of the buildings’ residential dwellings. In those six structures, there are 427 open violations from city inspectors for 129 apartments, according to the most recent inspection reports made available.

Most of these problems are “hazardous” violations, a classification covering significant shortcomings including pest infestations, water damage and black mold.

For homeless housing, the city maintains the Shelter Repair Scorecard, a grading system that includes evaluations by four different city agencies, including the fire department and departments of health, buildings and housing.
The city began the scorecard in 2015 after a yearlong probe by the New York City Department of Investigation found that homeless shelters run by Acacia and other providers suffered from pervasive problems, with cluster sites found to be the worst form of homeless housing in terms of livability.

An excerpt from the 2015 Department of Investigation report on homeless shelters that spurred the creation of the Shelter Repair Scorecard. (Read the document here)

The Shelter Repair Scorecards, whose heightened scrutiny was intended to pressure providers to bring their units up to code, show instead that buildings where Acacia manages all of the units for cluster sites have generally gotten worse over time, with a July 2018 peak of 487 violations at the six buildings.
A longitudinal look at the accrual of violations in six buildings where Acacia is responsible for the entirety of the building’s apartments over time. *Shelter Repair Card data is missing from the city website for January 2017*

For other Acacia cluster sites beyond these six structures, it is more difficult to assess housing conditions.

Many of the other 19 buildings are a mix of units that are part of the cluster site program and apartments rented through the open market. It is unclear which of the building’s violations are applicable to units that are part of the cluster site programs. At the six buildings listed above, all of the building’s residential units are part of the cluster site program and managed by Acacia.

The city intends to stop using cluster sites by 2021.

**POLITICAL DONATIONS**
Yet despite the city’s poor evaluations of Acacia’s housing units, the group has become far and away the largest recipient of the city’s homelessness funds over the past few years.

State campaign finance disclosures show that Acacia’s current and former executives, board members and affiliates have donated and bundled over $170,000 to candidates, political parties and PACs over the past decade, with tens of thousands of dollars of donations going to the Bronx Democratic Party and politicians in the areas where Acacia does business like Borough President Ruben Diaz Jr., who received over $15,000.

The donations are relatively small in a city where campaigns spend millions of dollars. But one expert in nonprofit management says that though nothing prohibits individual executives from making contributions, it should be avoided for appearances of impropriety.

“It just doesn’t look any different than a pay-to-play situation,” said Thad Calabrese, professor of public and nonprofit financial management at NYU’s Wagner School of Public Policy.

“It doesn’t appear to be on the up and up when you see nonprofit executives with high salaries who are politically connected and funded almost entirely with public money giving donations to candidates who either already fund them, potentially will fund them, or make decisions that will strongly affect their business,” he said.

The Bronx borough president’s office was adamant that the donations played no role in any support for Acacia’s projects or contracts.
“Campaign finance plays no role in the office’s decision making process,” said John DeSio, the president’s director of communications. “We evaluate projects based on what we think is best for the Bronx and the people of the city.”

LOBBYING

In addition to contributions to candidates, Acacia lobbies state and city officials through MirRam Group. The lobbying firm was started by Roberto Ramirez, a former assembly member and chair of the Bronx Democratic party and Luis Miranda Jr., a former advisor for Hispanic affairs for Mayor Ed Koch who also chaired the board of a nonprofit that merged with Acacia in 2013.

Acacia has spent at least $700,000 on lobbying fees to MirRam Associates since 2011.

MirRam declined to answer a list of questions about the relationship, citing a policy of not commenting on its clients.

Public advocate candidate Melissa Mark-Viverito, whose tenure as speaker of the city council coincided with Acacia becoming the city’s leading recipient of homelessness contracts, also paid MirRam as a campaign consultant in 2013.
The connection appears to have paid at least some dividends for Acacia.

In 2016, lobbying disclosures show MirRam extensively lobbied Mark-Viverito and her staff on behalf of Acacia. That year, she directed $2 million in discretionary funds to an Acacia development project in her district as gap financing, and voted with other council members to secure $68 million in bond funding and low-interest loans from city development agencies.
Acacia’s 2016 lobbying disclosure with the city shows that it paid $132,000 to MirRam to lobby Melissa Mark-Viverito and her staff extensively on its behalf. (Read the document)

Mark-Viverito’s campaign did not respond to multiple requests for comment.
Critics charge that lobbyists who double as paid consultants to elected officials create a legal work-around through which interests can get direct access to politicians.

“There’s no better way to buy access than to first help elect someone,” said Ross Barkan, who ran unsuccessfully for a state senate seat in 2018 after having covered this issue as a journalist.

“Imagine an elected official being indebted to a consultant—literally indebted by owing them money and figuratively because they owe their election to consultants,” he said.

Speaker of the state assembly Carl Heastie also paid MirRam as a campaign consultant and has a former Acacia lobbyist on his staff.

After becoming speaker, Heastie hired Kim Ramos as as his deputy secretary for intergovernmental affairs in June of 2015, according to Ramos’s LinkedIn profile. During the previous decade, Ramos had been a partner at MirRam, while state lobbying disclosures show that she worked on behalf of Acacia in 2014 and 2015. She also served as a board member for a nonprofit that merged with Acacia in 2013, after internal documents show that Acacia negotiated down the group’s $1.5 million outstanding IRS levy and loaned it over $500,000 to cover the negotiated settlement.

Heastie’s office did not respond to repeated requests for comment.

**POLITICAL EXECUTIVES AND STAFF**

Jose Cruz, a professor at SUNY-Albany who studies the historical development of Puerto Rican political power in New York City, noted that Acacia has benefitted from a process in which “elites
circulate between the nonprofit world and the political world, back and forth.”

Before joining the nonprofit sector, Acacia’s CEO Raul Russi held appointments from both Governor Mario Cuomo and Mayor Rudy Giuliani including chair of the state parole board, sheriff of New York City and commissioner of probation. The organization’s tax returns show that he earned over $600,000 in 2016 as the CEO of Acacia.

Acacia president Hector Diaz served seven terms in the state assembly before becoming Bronx county clerk and briefly served as New York City clerk before he resigned after six months to take a salaried position at Acacia. He earned over $250,000 as Acacia’s president in 2016.

Like Diaz, Maria del Carmen Arroyo went directly from a political role to the non-profit, resigning her City Council seat in 2015 on the City Council in the middle of her third term to join the Acacia Network directly as vice president for administration. When she joined the organization, she earned a reported salary of $220,000.

del Carmen Arroyo and her mother, Assemblywoman Carmen Arroyo, represented the South Bronx as a mother-daughter team for over a decade. The daughter was elected to three terms in the City Council and the elder Arroyo has represented the South Bronx in the state assembly since 1994 and won reelection last fall.

In her time at City Hall, the younger Maria del Carmen Arroyo repeatedly tried to use her position to benefit other nonprofits. In one instance, she sponsored $82,500 in discretionary funds into the South Bronx Community Corporation, a nonprofit she managed before taking office and continued to employ her sister and nephew as executives. She also attempted to direct $1.5
million in capital funds to a charter school founded by that same nephew, Richard Izqueirdo Arroyo, who had served as treasurer of her City Council campaign and was chief of staff for his grandmother in the state assembly.

In 2009, Izquierdo Arroyo and another employee of the South Bronx Community Corporation pled guilty to embezzling $115,000 from the nonprofit and spending it on vacations, clothes and shoes. Izquierdo Arroyo also admitted that he had diverted approximately $20,000 in nonprofit funds to his aunt and grandmother in the form of campaign contributions, upgrades to district offices, salaries for interns and plane tickets to Puerto Rico.

According to the Indictment to which IZQUIERDO ARROYO pleaded guilty, other documents filed in this case, and statements made during IZQUIERDO ARROYO's guilty plea proceeding:

IZQUIERDO ARROYO admitted to embezzling $115,000 of SBCC Management Corp. money between May 2005 and February 2009, through a number of methods. He used an SBCC Management Corp. corporate credit card to charge approximately $95,000 in personal expenses, including $12,000 to buy clothes and shoes; $10,000 to pay for meals at restaurants; $10,000 to buy crafts and gifts; and $27,500 to pay for airline tickets and stays at luxury hotels, where he spent additional SBCC Management Corp. money to pay for spa treatments, massages, room service, and cocktails.

IZQUIERDO ARROYO also signed checks that diverted an additional approximately $20,000 from SBCC Management Corp. and one of the buildings it serviced to his family members, namely, his grandmother, the New York State assemblywoman for whom he serves as Chief of Staff; and his aunt, a New York City Council member. The diverted money included approximately $6,000 in campaign contributions for his grandmother; $3,800 to pay for new flooring in his grandmother’s district office; and $5,000 to pay summer interns working in the office of his grandmother and his aunt.
Izquierdo Arroyo pled guilty and was sentenced to a year in prison. His grandmother and aunt were never implicated or charged for any wrongdoing.

Assembly member Carmen Arroyo has received $7,150 campaign contributions from Acacia executives. Her staff denied that either the contributions or the employment of her daughter leads to any special consideration.

“Generally speaking, campaign contributions don’t affect any particular actions,” said Stanley de la Cruz, a staffer for the elder Arroyo. He said Arroyo is not in a position to directly influence Acacia’s dealings with the state, adding that any choice to recuse herself from any potential oversight of her daughter’s employer would be made at Arroyo’s discretion.

Acacia’s board lawyer is Roberto Velez. In late 2014, Governor Andrew Cuomo appointed Velez, then an Acacia vice president, to serve as commissioner of the state Office of Children and Family Services. Velez was never confirmed by the State Senate and resigned after eight months on the job. He has since returned to private practice as a lawyer, and is listed as Acacia’s board attorney.

In 2014, Monica Hickey-Martin left her position as director of the state’s Medicaid fraud unit to join the Acacia Network as a deputy counsel for compliance. According to Hickey-Martin’s LinkedIn profile, she left the Acacia Network in February 2018 to join the MTA mass transit agency.
In June 2018, Acacia hired Ronald Rosado Abad to be a senior vice president of its housing and homelessness subsidiary. Between 2008 and 2015, Abad served as an Assistant Commissioner at the city’s Department of Homeless Services. His LinkedIn profile states he was “in charge of the Family Service’s division’s procurement, contracts management,” including being “lead negotiator” for contracts like Acacia’s contracted cluster sites.

**ACACIA’S FOR-PROFIT SECURITY OPERATIONS**

While Acacia and most of its subsidiaries function as non-profits, it is an umbrella organization that includes for-profit subsidiaries and affiliates including the aforementioned Distinctive Maintenance as well as Sera Security Services LLC, a company that provides security guards to shelters run by Acacia and other nonprofits.

Sera was established in 2011, listing Acacia chief executive Raul Russi as its registered agent. An internal organizational document lists Acacia vice president Jose Rodriguez and chief financial officer Milton DiRienzo as managers of SERA. Acacia’s website states Sera was formed to ensure “the safety of our clients and the community we serve.”

In 2015, state auditors questioned how Sera won over $580,000 in contracts to provide security work through the Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, a Acacia subsidiary.
The 2015 audit by the state comptroller’s office that took issue with Acacia’s related-party transactions with Sera Security. (Read the entire document)
In their report, the auditors asked Acacia Network executives in 2015 about why they failed to disclose that $582,020 in contracts between PROMESA and Sera were transactions between related parties even though Sera listed two Acacia executives among its three directors. The executives responded they did “not believe SERA is a related entity,” responding that “as managers for SERA, they are not necessarily management.”

The auditors disagreed, noting that Acacia’s own organizational chart showed the companies to be related affiliates. They concluded the contract to Sera had been awarded through a bidding process that was “unfair”, first receiving the contract without competition before its renewal scored Sera’s proposal differently from a competitor’s that the auditors found would have yielded higher savings.

Despite clauses in its contracts that Acacia must provide a safe and secure environment for its clients, other city audits, investigations and court records show that Sera has faced numerous accusations of failing to fulfill its security commitments.

The 2015 Department of Investigation report on homeless shelters that resulted in the Shelter Repair Scorecard included in its findings that security at a now-closed Acacia cluster site in Brooklyn was seriously lacking.

Residents told investigators that they wouldn’t leave their apartments at night because the building was unsafe. Security guards were absent during the day and only present in a fourth floor office at night. Police fielded over 100 complaints in two years from the site, including felony assault, grand larceny and burglary.
At the Corona Family Residence in Queens, a city comptroller’s audit criticized Acacia for stationing only one guard at a two-building site that hosted 54 homeless families.

Even when security is present, they may not be well-trained or properly certified.

A 2018 audit by the state comptroller found the security supervisor at The Stadium, a large Acacia-run shelter in the Bronx, was working under an expired license.

Anthony Lewis, a former Sera guard who worked at The Stadium, said that he received no training when he reported to the site, even though Acacia’s city contract specifically called for training on-site,

“They just stuck bodies wherever,” he said. “They didn’t care.”

The 2018 state audit raised questions about payments for Sera security work. A sample of hourly pay sheet adjustments found nearly 40 percent of the pay was not properly documented. For another contract, Sera said it would provide six guards for $252,632 a year, and then provided 10 guards, leading to costs of $441,705, exceeding the original contract by 75 percent.

Lawsuits in local courts include allegations that sometimes Sera guards use excessive force.

In one case, Sera guards and Acacia employees were alleged to have waged a campaign of violent harassment of a shelter resident, Victor Herrera. In his complaint, Herrera alleged that a Sera guard choked him while Acacia staff looked on at a Harlem shelter called Julio’s Place. A few days later, the security guards and staff locked Herrera out of the shelter, forcing him to sleep on the street.
An excerpt from Victor Herrera’s complaint against Acacia and subcontractor Sera Security.

(Read the document)

Others cases allege gross negligence, like one filed by a woman who was badly burned this summer when her roommate doused her with nail polish remover and set her alight. Both cases were settled out of court.

The latter incident occurred at Pam’s Place, an Acacia women’s shelter in Long Island City in a former hotel that Acacia opened in November 2015. The shelter quickly became a nuisance to local residents, and DHS announced by the following March that Sera would increase its presence at the shelter to 16 guards after
multiple incidents. But by January of 2017, the Queens Gazette reported that there had been 825 calls to 911 related to the shelter—a rate of more than two per day since its opening.

Nathylin Flowers Adesegum, who’s lived in the shelter since shortly after it opened, said her life was threatened during her first night there.

“One of the women who came in the bus with me and was put in the same room as me said, ‘If I were you I wouldn’t go to sleep because you know I can just kill you as you sleep,’” Flowers Adesegum recalled. The woman who threatened her was eventually moved to a different shelter, she said, but the incident was not isolated in a shelter where security issues have been ongoing.

“Someone was hit with a lead pipe they took from a construction site next door, someone else was beaten in the room next to me,” she said.

Flowers Adesegum said fights were particularly common in the shelter’s cafeteria, where around 200 women share one microwave to reheat their food.

“I guess they’re hangry, that new phrase, hungry and angry,” she said. “I’ve asked them many times why they don’t have guards in the dining room.”

Through Acacia, Sera did not respond to requests for comment.