

Public Housing's Inside Man

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A construction company controlled by Elzie Higginbottom, a well-known political fundraiser and recently departed chairman of the Housing Authority of Cook County, was awarded a multi-million dollar contract by a nonprofit entity created by the same public housing agency he had led.

The deal is raising conflict of interest questions and concerns aimed at Higginbottom, who resigned as chairman of the Housing Authority in May, ending a 20-year-tenure. The resignation came as the BGA and Channel 5 started asking questions about the real estate transaction.

	
Elzie Higginbottom	

In 2011, a Higginbottom-controlled construction firm—Burling Builders—was granted a \$3.2 million contract by Turnstone Development Corporation, a nonprofit entity started by the Housing Authority of Cook County. When the winner of the contract was determined, Higginbottom was on the boards of both the housing authority and Turnstone.

Higginbottom insists there is no conflict of interest, asserting his company was picked because its bid was the lowest price to emerge from the selection process.

Turnstone oversaw bidding for the project, which called for two major development phases of a \$12 million, 78-unit senior housing project in suburban Summit that was mostly bankrolled with federal money and overseen by the U.S. Department of Housing and Urban Development (HUD).

A review of the selection process by the BGA and Channel 5 found that Higginbottom's Burling Builders sought a contract as general contractor for the \$9 million first phase of development.

Burling's participation in that part of the bidding process was a conflict, according to HUD.

Agency rules prohibit housing authorities from doing business with their officers or employees and, at the time, Higginbottom was on both the housing authority and Turnstone boards. And the housing authority controlled Turnstone, which functioned as its nonprofit development arm.

"It would have been inappropriate for Burling to bid on phase one," said locally-based HUD spokesperson Laura Feldman when told of the bid by the BGA. "We were not aware of that," she said. "We don't see the bids."

However, Turnstone selected the low-bidder, Walsh Construction, for the first phase of the development.

In September 2010, prior to the start of the second phase, the Turnstone board, which included Higginbottom and two other members of the housing authority board, sought its independence from the Housing Authority of Cook County.

In November 2010, the housing authority relinquished its control of the nonprofit.

Eight months later, in June 2011, Higginbottom's Burling Builders submitted a \$3.2 million bid for the second phase of the Summit development—the lowest bid by nearly \$200,000.

Turnstone selected Higginbottom's firm to serve as general contractor for the second phase. Higginbottom says he did not participate in the Turnstone board vote to select his firm.

The nonprofit's resolution to hire Burling Builders indicates that Higginbottom owned the firm and that the organization's by-laws allow Turnstone to do business

with its board members, according to a copy of the resolution.

HUD officials say it was not a conflict of interest for Higginbottom's firm to submit a bid for the second phase, nor was it a conflict when his company was selected since Turnstone was an independent nonprofit at that time.

Higginbottom maintains that the contract was above board since the contract was advertised and his company submitted the lowest bid. "We had a level playing field, and we played by the rules," Higginbottom said.

Nonetheless, Higginbottom concedes that considering his close relationship with the housing authority and Turnstone, his company should have passed on competing in the second phase of the senior housing development.

"To avoid the appearance of a conflict, maybe we shouldn't have done that," he said.

The real estate mogul is long known for his political connections, most notably his friendship with former Chicago Mayor Richard M. Daley, and his propensity to win government contracts.

In recent years, Higginbottom's companies have received more than \$72 million in government payments and contributed nearly \$2 million to local, state and federal candidates.

Higginbottom also faced conflict of interest questions regarding his property management company, East Lake Management & Development, managing properties receiving hundreds of thousands of dollars in rent subsidies from the Housing Authority of Cook County during his board tenure, the BGA has learned.

For eight years, the housing authority provided rent subsidies—nearly \$1 million worth—to a property in south suburban Harvey managed by East Lake. And for two years, the housing authority also provided rent subsidies to a Calumet City apartment complex managed by East Lake.

It's not a conflict, according to HUD.

But HUD officials said that a housing authority other than the Housing Authority of Cook County should administer those vouchers to remove the appearance of a conflict.

Higginbottom agreed with the HUD position.

“The housing authority [of Cook County] should’ve [transferred administration of] those vouchers out to another housing authority, and somebody at our office should have demanded that they do that,” Higginbottom said. HUD officials confirmed that the administration of the vouchers at the Harvey apartment complex were transferred to the Chicago Housing Authority after the BGA inquired about the situation.

“This was an oversight,” Higginbottom added. “We have oversights all the time. We make mistakes all the time. ... To me it’s not outrageous. It’s not a case where anyone was trying to put anything over on anybody.”

Regarding his exit from the Housing Authority, Higginbottom said it was not connected to the BGA/Channel 5 inquiry. In his resignation letter, he cited “professional and family obligations.”

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