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Kerekes questions New Haven contracts, calls for office of inspector general

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NEW HAVEN, Oct 27, 2011 (New Haven Register - McClatchy-Tribune Information Services via COMTEX) -- Mayoral challenger Jeffrey Kerekes stood in front of the Board of Education offices Wednesday and accused the district of acting as a mortgage lender to the former owner of the Leeder Hill Drive swing space in Hamden.

Kerekes, who is running against 18-year incumbent Mayor John DeStefano Jr., said the odd financial transaction from a decade ago is just one example of why he -- if elected next month -- would create an office of inspector general to examine city contracts.

"How many times has the Board of Ed served as a bank?" he asked.

The school district uses the space at 130 Leeder Hill Drive to house students whose buildings are being renovated or rebuilt under the school construction program. Currently, East Rock School and one grade of the Engineering and Science University Magnet School are housed in the space.

Kerekes gave examples of multiple cases in which he alleges the city gave special treatment to well-connected business owners or sidestepped checks and balances such as getting aldermanic approval for multi-year leases and no-bid contracts worth more than \$100,000.

"When people get special deals, it means everyone else has to pay for it," Kerekes said.

His proposed Office of Inspector General would be tasked with combing through contracts to look for "waste, inefficiency, special deals for the connected, fraud and corruption." Kerekes said the office would pay for itself in the form of savings from aggressive review of contracts.

Of examples he gave, the stand-out case is a mortgage agreement from 2001, in which the school district lent \$5.3 million to the former owner of 130 Leeder Hill Drive in Hamden to renovate the warehouse to include a gymnasium, cafeteria and other amenities necessary for a school. The district also entered into a lease agreement with annual options to renew and now pays \$52,500 a month to rent the space. The kicker, according to Kerekes, is that the owner of the building at the time, Aaron Hochman, never made mortgage payments to the district and instead had his loan forgiven.

But Schools Chief Operating Officer Will Clark said forgiving the mortgage loan was the point, and he said the deal was meant to protect the city's interest in the swing space. He said the district at the time was in need of a large space to house Fair Haven School students while their building was being renovated. The district found the Leeder Hill Drive space and decided the lend the \$5.3 million for renovations to Hochman with the condition that if he had the work done and agreed to continue leasing the space to New Haven, he wouldn't have to pay back the loan. Clark said the idea was that if New Haven paid directly for the renovations and then Hochman sold the building or decided not to rent to New Haven, the district would have suffered a major loss.

"From the mortgage standpoint, it was really protecting our investment," he said.

Clark added that the \$5.3 million for renovation of swing space was part of the Fair Haven School construction budget and was reimbursable by the state for 80 percent of the cost. Clark said he could provide supporting documentation later this week.

Still, Kerekes wondered why the large contract never went before the Board of Aldermen. He pointed out that projects of that size usually go out to bid to ensure the city gets the best deal. Kerekes also questioned why many city and school district leases do not require aldermanic approval. He suggested that the city and school district try to circumvent the

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aldermanic approval. He suggested that the city and school district try to circumvent the aldermanic approval process by categorizing multi-year lease agreements as one-year agreements with options to renew.

Kerekes provided an email from April 2010 in which a city employee states that then-Controller Mark Pietrosimone reviewed the Leeder Hill lease and determined it a multi-year contract that requires aldermanic approval. Clark said the contract was reviewed again and later determined not to need aldermanic approval, though he could not provide emails showing that change in thinking.

Regarding Kerekes' charge that the mortgage should have been approved by the Board of Aldermen, Clark said the district followed advice of city attorneys at the time. Corporation Counsel Victor Bolden, who was not in that position then, said he could not comment on whether the mortgage should have gone before the aldermen without reviewing all of the documents. Regarding general lease agreements, Bolden said since the option to renew means there is no multi-year commitment of taxpayer dollars, there is no need to get aldermanic approval.

DeStefano campaign spokesman Danny Kedem dismissed Kerekes' call for an inspector general office as a bad idea. He said in an email that Kerekes has proposed making cuts to numerous city departments and "now he wants to create a new branch of government that provides zero services to residents."

The Register is investigating other accusations made by Kerekes and will report them as soon as information is available.

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