

New York State Comptroller
THOMAS P. DiNAPOLI

Audit Findings:
**Improvements Needed
to Mitchell-Lama Program**



MARCH 2026

Contents

- Introduction 1

- Background 3

- Chronic Issues Faced by Mitchell-Lama Developments 5
 - A. Poor Physical Conditions 5
 - B. Insufficient Fiscal Oversight 7
 - C. Long-Term Vacancies. 9

- Interactions Between Chronic Issues 11

- Audit Recommendations and Corrective Action 16

- Conclusion and the Path Forward 17

- Appendix 18

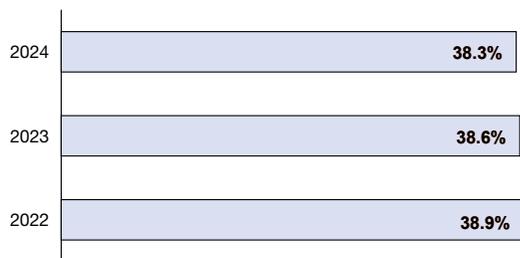
- Endnotes 20

Introduction

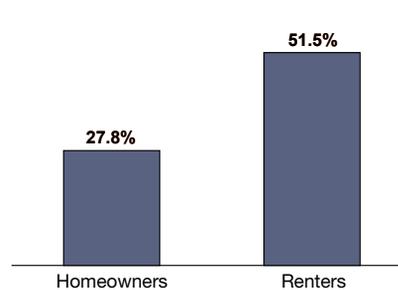
New York State (State) is facing a severe housing affordability crisis. The Office of the New York State Comptroller found 2.9 million New York households—38.9 percent—were housing cost-burdened in 2022, the third-highest rate among states.¹ Approximately 20 percent of New York households were severely cost-burdened, and these rates have not meaningfully improved through 2024.² Further, among housing cost-burdened New Yorkers, renters were disproportionately affected (see Figures 1A and 1B).

Figures 1A and 1B: Cost-Burdened Households in New York

1A. Share of Housing Cost-Burdened Households, 2022-2024



1B. Share of Cost-Burdened Households, 2024



Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates, 2022-2024

Other indicators tell a similar story. The State’s rental vacancy rate fell from approximately five percent in 2011 to four percent in 2021, according to the Furman Center at New York University.³ In New York City, the rental vacancy rate fell to a multi-decade low of 1.4 percent in 2024.⁴ The definition of a “healthy” vacancy rate varies, but State law defines a rental vacancy rate below five percent in New York City as a “housing emergency” for the purposes of rent regulation.⁵

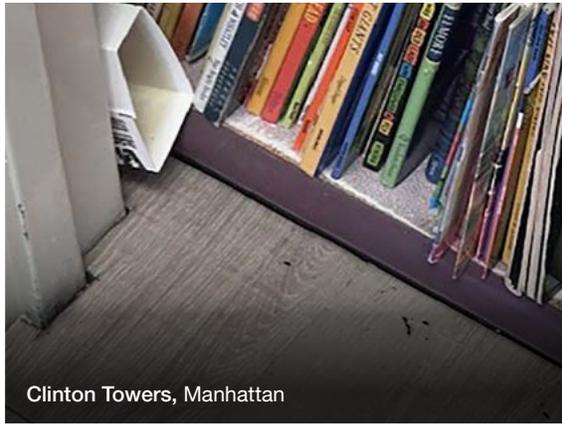
To address the housing insecurity crisis, the Comptroller’s Office has made recommendations for action by all levels of government. For state government, these include increasing the supply, quality, and diversity of housing; providing assistance to renters; and improving the administration and assessment of the state-operated programs. While the State has devoted significant resources to affordable housing production and housing assistance, improving housing insecurity will require more efficient, effective, and transparent operations.

Maintaining the State’s existing affordable housing stock is a core pillar in increasing the housing supply and mitigating cost pressures. New York’s Mitchell-Lama Housing Program (Program) is the largest of its kind in the United States⁶ and one of the State’s most significant housing initiatives, providing more than 100,000 affordable housing units, including developments supervised by the New York State Division of Housing and Community Renewal, the New York City Department of Housing Preservation and Development, the New York State Housing Finance Agency, and the U.S. Department of Housing and Urban Development. As such, the Program represents an invaluable, long-term source of affordable housing as well as a path to homeownership for many who might not otherwise have access to this opportunity.

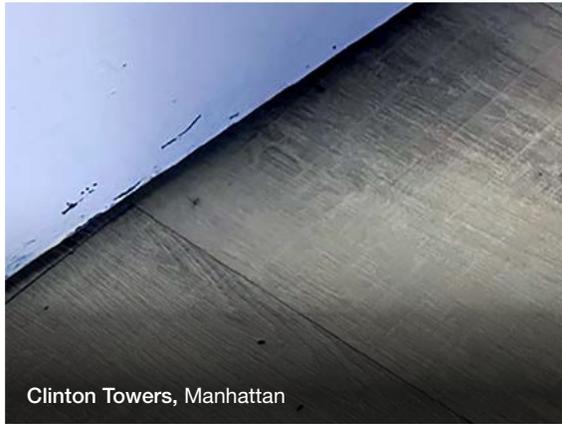
Pest Infestations



Clinton Towers, Manhattan



Clinton Towers, Manhattan



Clinton Towers, Manhattan

Yet, a series of audits conducted by the Office of the State Comptroller's Division of State Government Accountability has identified a number of concerning issues, including insufficient oversight, chronic maintenance backlogs, financial mismanagement and instability. Many housing units and buildings have deteriorated, causing hazardous conditions, and the response to these unsafe conditions has not been timely. These weaknesses can lead to unpredictable and potentially unaffordable increases in rent or carrying charges that can place additional strain on households with limited income, leaving residents at risk of displacement from their communities and threatening the housing stability the program is designed to protect. These same concerns have also been raised by residents and advocates, both in public testimony and in complaints received by the Comptroller's Office.

Preserving and strengthening Mitchell-Lama housing requires a holistic approach that addresses financial, structural, and governance gaps to keep this vital, affordable housing available long-term and ensure continued access to affordable homes for thousands of New Yorkers.⁷ Effective oversight of Mitchell-Lama developments by City and State agencies is an essential component in preserving these assets.

Background

The Mitchell-Lama Housing Program was created in 1955 by the New York State Limited Profit Housing Act to provide affordable rental and cooperative (co-op) housing to middle-income families. Article 2 of the New York State Private Housing Finance Law governs the program and is the basis for the New York State Division of Housing and Community Renewal's (DHCR)⁸ and the New York City Department of Housing Preservation and Development's (HPD) administration of Mitchell-Lama projects. While DHCR and HPD both follow this law to administer the Program, each Mitchell-Lama development is overseen by either one agency or the other, and each has its own mission along with different rules and regulations.⁹

“

**To address the housing insecurity crisis,
the Comptroller's Office has made
recommendations for action by all
levels of government.**

Regardless of the oversight entity, developments are owned and managed by private companies (owners). In exchange for low-interest mortgage loans and real property tax exemptions, the Program requires owners to comply with limitations on profit and income limits for residents. Owners employ a managing agent—a person or entity responsible for managing the development—and enter into agreements with them. These agents develop management plans that must be approved by either DHCR or HPD.

DHCR Regulations require each development to assign a Housing Management Representative (Management Representative) responsible for supervising and evaluating the development's management, as well as conducting yearly on-site assessments (site visits) of physical conditions and fiscal reviews.

HPD Rules direct managing agents to conduct an annual inspection of all units to observe physical conditions and assess compliance with rules and regulations. Additionally, the New York City Housing Development Corporation (HDC) conducts physical inspections of Mitchell-Lama developments and provides the inspection report to HPD. HPD uses these inspections to help determine whether developments are being maintained as required. Managing agents at HPD-supervised developments must also maintain an office or place of business where they keep all records pertaining to the housing company.¹⁰



DHCR and HPD are also responsible for ensuring the efficient turnover of vacant apartments and overseeing the management of waitlists for available Mitchell-Lama apartments. DHCR has a responsibility to assist management at developments with long-term vacancies. Vacancies are a mandatory review item on DHCR's Field and Office Visit Report, and the Regulations require developments to promptly fill vacant apartments with applicants from their waiting list. A Reporting and Compliance Directive from HPD requires managing agents to fill vacancies within 120 days, provide written explanations for excessive vacancy periods, and submit a plan of action to fill the vacancy. HPD-supervised

developments are also required to submit quarterly Apartment Turnover and Vacancy Reports to HPD, showing apartments that were filled during the quarter (turnovers) and current vacancies that need to be sold or rented.

Across New York State, there are 86 DHCR-supervised Mitchell-Lama developments, with over 51,000 units, and 92 HPD-supervised Mitchell-Lama developments, with over 46,000 units.¹¹ Between 2019 and 2025, the Office of the State Comptroller conducted five audits of 26 developments: four audits assessed physical and financial conditions at 15 developments (10 NYC developments and five located outside the City), and one audit assessed vacancies at 11 NYC developments.

See the [Appendix](#) for a list of audited developments, their location, and the corresponding audit.



86 DHCR-supervised
Mitchell-Lama developments,
with over **51,000 units**.

92 HPD-supervised
Mitchell-Lama developments,
with approximately **46,000 units**.

Chronic Issues Faced by Mitchell-Lama Developments

The Office of the State Comptroller's audits examined whether Mitchell-Lama developments were being maintained in a manner that protects the health and safety of residents, whether funds at the sampled developments were properly accounted for and being used for intended purposes, and whether vacant apartments were filled in a timely manner. Auditors found poor physical conditions, insufficient fiscal oversight, and delays in filling vacancies.

A. Poor Physical Conditions

As oversight agencies, DHCR and HPD are responsible for ensuring that Mitchell-Lama residents are provided a safe and clean living environment; however, audit findings indicate that Mitchell-Lama housing developments, particularly those in New York City, have experienced ongoing physical deterioration, driven in part by deferred maintenance and delays in repairing hazardous conditions. This has led to extensive structural issues that could be expensive to address.

Auditors identified hazardous or unsafe conditions, as well as issues affecting building structures, at 12 of the 15 developments examined statewide, including all 10 sampled New York City developments. Unaddressed structural deficiencies, including collapsed ceilings and walls, can lead to persistent moisture and rapid property deterioration, and create environments ripe for secondary damage. For example, of the 10 New York City developments examined, auditors found pervasive mold at eight and pest infestations at six. HUD guidance describes structural maintenance, such as sealing cracks, fixing leaks, and repairing building damage, as part of an effective pest control strategy.¹²

Research shows mold can lead to respiratory conditions like asthma and difficulty breathing, cause allergic reactions, trigger neurological and cognitive issues, and increase the risk of severe infections,¹³ while pest infestation is linked to respiratory illnesses, disease exposures, and negative mental health effects, including chronic stress and anxiety.¹⁴ These issues are particularly dangerous for vulnerable residents, such as children and the elderly, not only placing residents at risk, but in some cases causing direct harm. For example:

- Auditors found structural issues at 753 Classon Avenue Housing Company (Brooklyn)¹⁵ that remained uncorrected for years, creating building conditions that led to a tenant falling and breaking her arm (2022-S-9).

Mold



York Hill, Manhattan



Tivoli Towers, Brooklyn

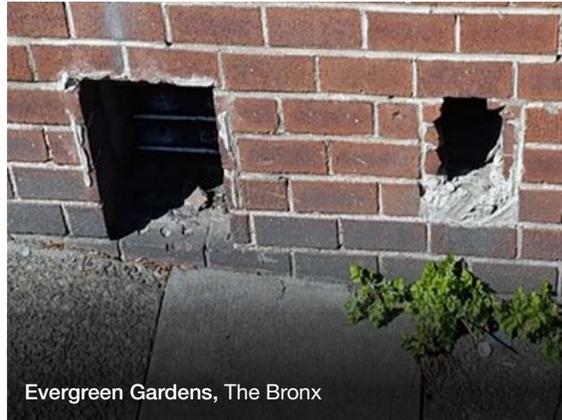
- In another instance, auditors identified extensive roof damage in one building at Jamie Towers (Bronx). Management indicated the damage occurred in June 2021 and was reported to DHCR at that time, but DHCR had not approved a repair contract through August 2022. Subsequently, chronic moisture penetrated structural elements, leading to decay and corrosion, a foreseeable risk identified by National Housing Standards and building maintenance codes.¹⁶ The outcome was a severe, unchecked mold infestation that ultimately displaced the tenants of eight units, who were then relocated to other available units within the complex (2022-S-9).
- During a site visit to York Hill (Manhattan) on October 1, 2023, auditors observed a unit, occupied by an elderly resident. The auditors found extensive mold growing on the ceiling throughout her living room, kitchen, bathroom, and hallway (2023-N-2).
- Signs of infestation included mouse droppings on classroom floors, in a book closet, and on mouse traps placed under radiators at a daycare at Clinton Towers (Manhattan) where children were present (2024-N-4). According to Clinton Towers' managing agent, commercial tenants—such as the daycare—are responsible for providing their own extermination services, for ensuring their space is sanitary, safe, and in good condition, per their lease. However, once management is made aware of a mice infestation involving one of their tenants, it should take action to determine the root cause and remediate it. In response to the audit's preliminary findings, HPD officials reported that while Clinton Towers' managing agent took action, hiring a contractor to seal all known access points and urging the tenant to get an exterminator, the underlying structural deficiencies remained unaddressed, risking future infestations.

Many of the physical conditions identified from the auditors' inspections had been included in DHCR and HPD reports, some of which had gone uncorrected for years, including class C health maintenance code violations, which are violations that pose a high risk and require immediate corrective action.

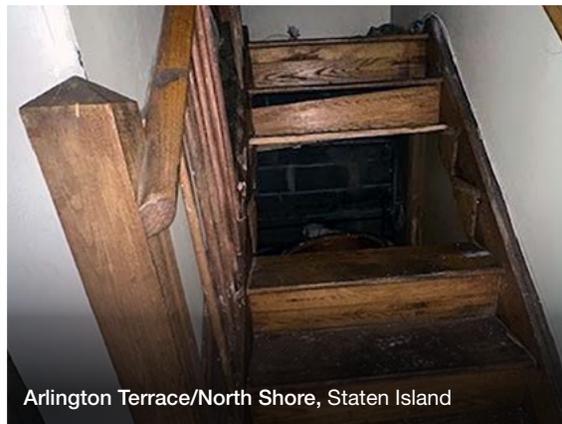
Structural Issues



Arverne/Nordeck, Queens



Evergreen Gardens, The Bronx



Arlington Terrace/North Shore, Staten Island

B. Insufficient Fiscal Oversight

The Office of the State Comptroller's audits showed how weak oversight by HPD and DHCR of financial management practices contributed to the developments' poor financial standing and a cycle of disrepair. HPD and DHCR are responsible for ensuring that funds for the operations of Mitchell-Lama developments are spent appropriately. Yet DHCR and HPD did not adequately oversee financial conditions at the examined developments. The audit series found inappropriate expenses, insufficient support for expenditures, and a lack of competitive bidding across HPD and DHCR-supervised developments.

The audits found that the developments' management did not adhere to State and City requirements for the proper use of funds, and that funds were misspent or inadequately supported for 14 of the 15 audited developments statewide, resulting in over \$2.3 million in findings across the audits' scope periods. These issues are particularly concerning given that 13 of the 15 audited developments operated at a net loss before depreciation for at least one year during the audit scope and/or had outstanding debt.¹⁷



The audits found that the developments' management did not adhere to State and City requirements for the proper use of funds and that funds were misspent or inadequately supported for 14 of the 15 audited developments statewide.

The lack of controls over payments and expenditures made without adequate support indicates that DHCR and HPD officials did not adequately monitor the developments' management, and may have also resulted in the expenditure of funds on unwarranted or improper purchases, diverting money from necessary operations. The audits recommended that DHCR/HPD review the developments' transactions to ensure expenditures were appropriate and supporting documentation was sufficient. The audits also recommended that the agencies provide training to ensure that management and the board of directors understand their fiduciary responsibilities for operating the developments in a fiscally sound manner.

Similarly, auditors identified almost \$6.5 million in spending that did not meet requirements, finding that management at multiple developments did not use competitive bidding and analysis when required, and that management did not seek HPD or DHCR approval for expenditures exceeding \$100,000. For example, one audit found that all three audited developments (Evergreen, Clinton Towers, and Tivoli) failed to notify HPD of any applicable expenses with aggregate payments to vendors exceeding \$100,000 (2024-N-4).¹⁸

These patterns highlight the need for stronger monitoring by oversight entities. For example, in the audits of HPD-supervised developments, auditors requested individual apartment inspection reports from the developments' managing agents, but none were provided. In the absence of such reports, HPD has no assurance that the units are being maintained in accordance with the Rules and therefore may be unaware of any unsafe physical conditions. Conversely, DHCR officials identified hazardous conditions during

their own visits but often did not share their findings with the developments in a timely manner. When structural deficiencies are not communicated in a timely manner, they are not addressed promptly, which contributes to delays in remediation, the cycle of buildings' deterioration, and subsequent risks to tenants—ultimately, leading to higher repair costs that threaten developments' financial integrity.

Ultimately, DHCR and HPD officials have not developed the controls, including monitoring of Managing Agents, necessary to ensure funds used for the developments' operations are spent efficiently and effectively. Funds that are misspent reduce resources needed for essential maintenance and capital repairs, and can increase the financial burden on residents through higher carrying charges or rent, and the delay of needed repairs and maintenance. This results in accelerated physical deterioration, forcing emergency repairs rather than cost-effective maintenance, and increases the likelihood of financial distress for developments and their residents.

C. Long-Term Vacancies

The implications of weak controls and financial instability are reflected in developments experiencing long-term vacancies—particularly among developments located in New York City where prolonged vacancies are linked to outstanding physical conditions and delayed inspections stemming from a cycle of deferred maintenance. Long-term vacancies cost Mitchell-Lama properties millions in unrealized income and limit New Yorkers' access to available affordable housing. Auditors conducted a series of analyses examining the extent of long-term vacancies and the efficiency of HPD's efforts to fill vacant units.

Auditors conducted a citywide analysis of Mitchell-Lama developments for calendar year 2019 to determine whether HPD was ensuring vacant apartments were “turned over” — or filled—efficiently (2020-N-2). Despite an HPD Directive stating that developments are required to fill vacant apartments within 120 days, auditors found a general lack of compliance. From 86 of the 87 developments that were required to submit vacancy reports in 2019, 1,286 apartments were reported to be “turned over” at 81 developments across the City. On average, developments took 222 days (7.4 months) to fill these vacancies—nearly twice the maximum time allowed under the HPD Directive. Of those, 214 apartments remained vacant for a year or longer. Only 502 apartments (39 percent) were filled within the required 120-day time frame.



DEVELOPMENTS took **222 days (7.4 months)** on average to fill vacancies, **nearly twice the maximum time allowed.**



Auditors also analyzed vacancy reports from 85 developments for the period from October through December 2019 to determine the number of vacant apartments, as well as how many of these apartments were vacant for over 120 days. This analysis revealed a total of 670 vacant apartments across 78 of these developments. Of these, 371 (55 percent) were long-term vacancies (vacant for over 120 days), including 111 that had been vacant for over a year, and eight apartments that had been vacant for more than three years. In reviewing a judgmental sample of developments with the highest number and percentage of vacancies exceeding 120 days, auditors found 45 of 53 vacancies met this criterion at Esplanade Gardens (Manhattan), 25 of 29 vacancies at Stevenson Commons (Bronx), and all 18 vacancies at O.U.B. Houses (Bronx).

When auditors requested documentation from HPD officials supporting that the agency actively oversaw development efforts to fill a sample of 49 vacant apartments, they found two of five developments (Esplanade Gardens and O.U.B. Houses) failed to submit any supporting documentation, while the remaining three (Independence House, Roberto Clemente Plaza, and Stevenson Commons) provided documentation for 23 of their 29 apartments. Moreover, even when documentation was submitted, it was often insufficient to explain the delays. For example, a two-bedroom at Roberto Clemente Plaza (Brooklyn) became vacant in September 2015 but was not filled until July 2020.¹⁹

The audit found that protracted delays in filling apartments cost the developments an estimated \$9.1 million in unrealized income as of December 2019, excluding revenue loss during the first 120 days of apartment vacancy.

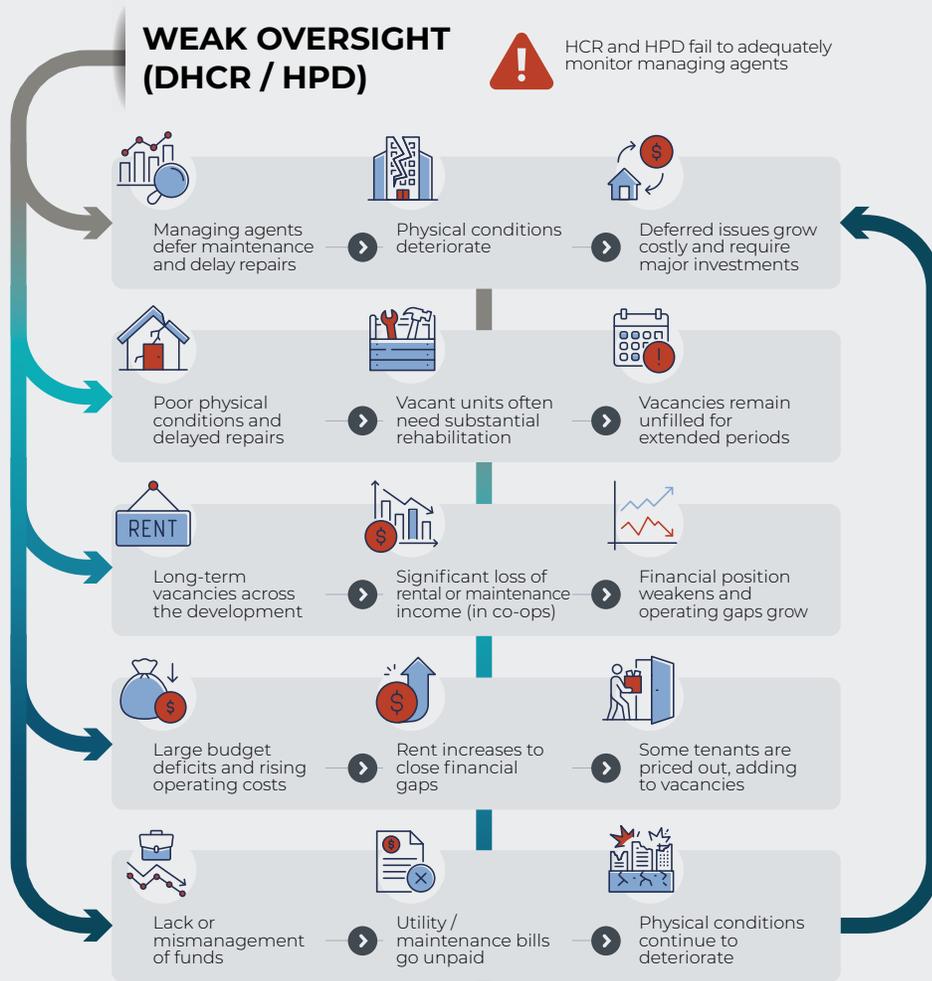
The State Comptroller's Office has also received numerous tenant complaints related to longstanding vacancies, waiting lists, and rent increases. These complaints underscore that vacancies continue to be a significant and ongoing problem as well as the negative impact of these challenges on New Yorkers' lives.

Interactions Between Chronic Issues

Inadequate oversight by DHCR and HPD is a key factor contributing to persistent issues within Mitchell-Lama developments. These ongoing problems include unsafe and unsanitary physical living conditions, the mismanagement of funds, and long-term vacancies even while extensive waiting lists for housing persist.

Physical and financial issues, along with long-term vacancies, are chronic problems for Mitchell-Lama developments; however, these issues are interconnected and can create a negative feedback loop (see Figure 2).

Figure 2: Negative Feedback Loop Associated With Chronic Mitchell-Lama Issues



The worsening physical conditions caused by lack of funds leads to even more vacancies, deepening the financial crisis.



CONCLUSION

This interconnected cycle raises tenant costs, reduces affordability, and weakens the program's core mission. It puts resident's health and safety at risk and threatens NYC's long-term affordable housing goals.



Vacant units often require significant rehabilitation before new tenants can move in due to hazardous conditions, leading to prolonged vacancies.

Weak Oversight Allows Physical Conditions to Grow More Costly

As the oversight agencies of the Mitchell-Lama Program, DHCR and HPD are responsible for ensuring that managing agents provide residents with a safe and clean living environment; however, DHCR and HPD officials are failing to adequately monitor the developments' managing agents to ensure developments are being maintained in a manner that protects the health and safety of their residents. Moreover, the risk to health and safety only increases when lengthy delays in repairs lead to further deterioration in the developments' physical condition, exacerbating the need for large investments to address the deficiencies in physical conditions. For example:

Arverne, North Shore, and York Hill (2023-N-2)

- Auditors conducted site visits of three developments—Arverne/Nordeck (Queens), Arlington Terrace/North Shore (Staten Island), and York Hill (Manhattan)—and found that although hazardous conditions had been reported by HDC, they remained unaddressed, sometimes for years, indicating a pattern of delayed maintenance. This inaction has led to the need for significant funding for repairs, with the City now securing millions in subsidies for North Shore and York Hill and planning assistance for Arverne to address safety issues.
 - HPD officials noted that hazardous/unsafe physical conditions, such as those observed by auditors at the three developments, will require significant funding to evaluate and remediate. HPD provided Integrated Physical Needs Assessments (IPNAs) for North Shore and York Hill. These IPNAs, conducted in February 2024 and October 2023, respectively, evidenced that HPD is in the process of securing a subsidy of approximately \$47 million for North Shore and approximately \$7.5 million for York Hill for necessary repairs. HPD officials also indicated that Arverne is scheduled to receive subsidy assistance to fund capital repair work, including façade and foundation repairs, lobby and elevator upgrades, and resiliency measures to mitigate flooding risk. HPD did not provide an IPNA for Arverne but did provide an engineering proposal for façade work that is estimated to cost approximately \$34,500.

Clinton Towers (2024-N-4)

- Auditors visited Clinton Towers (Manhattan) and observed hazardous conditions, including a lobby that had missing ceiling tiles throughout the entire ground-floor level. The managing agent informed auditors that work was halted on the ceiling due to a lack of payments to the contractor. Auditors also observed evidence of water leaks throughout the garage. Although it appeared that some of these leaks had been fixed, some areas were still in need of repair despite this condition being documented in Clinton's physical inspection reports from HDC for the entire scope period of the audit—over five years. The managing agent stated that the repair work was stopped due to the contractor not being paid.
 - In response to the audit's preliminary findings, HPD officials stated that about \$22 million in refinancing was used to fund substantial façade work, garage repairs, and courtyard upgrades. They further stated all liens that may have delayed prior work have been removed and that work is expected to resume shortly. Additionally, HPD informed auditors that it is currently working to provide additional funding for lobby renovations, security enhancements, and boiler repairs.

Poor Physical Conditions Increase Vacancies

Poor physical conditions and lack of timely repairs contribute to long-term vacancies at Mitchell-Lama developments. Vacant units often require significant rehabilitation before new tenants can move in due to hazardous conditions, leading to prolonged vacancies. For example:

Arverne (2023-N-2)

- Development officials at Arverne/Nordeck told auditors that five vacant units were deemed uninhabitable because of damage to the façade; these five units have been vacant for an average of about two years.

Lindsay Park (2020-N-2)

- 2019 fourth quarter vacancy reports found 15 apartments at Lindsay Park that were identified as uninhabitable. Lindsay Park officials explained that a prior agent had taken them offline years ago due to plumbing issues, and HPD officials noted many of the units had been vacant since the 1980s.
 - Initially unaware that repair efforts were underway, in December 2020, HPD directed Lindsay Park to permanently remove the units from the rent roll. HPD reversed this decision in March 2021 after communication with Lindsay Park management, attributing the new feasibility of repairs to a large refinancing loan received from HDC on November 26, 2018. On March 12, 2021, HPD provided a status update for the 15 apartments: one apartment was filled in January 2021, 12 were offline and under construction, and two were rented to a storage company. The audit report emphasizes that HPD should improve its monitoring of vacancies and work more efficiently with the developments to fill needed affordable housing units.

Vacancies Weaken Financial Conditions

Vacant Mitchell-Lama apartments are costly not only to New Yorkers in need of affordable housing but also to the developments and their tenants. Vacancies result in a loss of rental income (or carrying charges in co-ops). The Comptroller's Office calculated that across the five audits included in this report, sampled developments were unable to collect \$10,981,514 in unrealized income from long-term vacancies, weakening their financial position. For example:

Arverne, North Shore, and York Hill (2023-N-2)

- Auditors estimated approximately \$1.5 million in unrealized rental revenue from apartments vacant for more than 120 days, which included \$1,045,373 at Arlington Terrace/North Shore, \$459,744 at Arverne/Nordeck and \$43,104 at York Hill.

NYC-Wide Analysis (2020-N-2)

- Based on the 2019 rent rolls and rental information provided by HPD and the developments, auditors estimated that protracted delays in filling vacant Mitchell-Lama apartments cost the developments about \$9.1 million in unrealized income as of December 2019. Even after excluding vacancies due to construction, the lost revenue totaled \$7.9 million. This significant income loss hinders developments' ability to fund repairs and cover expenses.



DEVELOPMENTS were unable to collect **\$10,981,514** in **unrealized income** from **long-term vacancies**.

Financial Strain Contributes to Increased Rents and Vacancies

Many developments face budget deficits and are requesting significant rent increases to address them, potentially increasing cost burdens on the tenants. For example:

Cathedral (2022-S-9)

- As of September 30, 2022, auditors identified 17 vacant units despite a lengthy waiting list. DHCR officials were aware of the vacancies but did not assist Cathedral management with filling vacant units, stating their role as the supervisory agency is limited by the Mitchell-Lama Statutes and regulations. However, DHCR did agree to continue working with management on addressing outstanding vacancy issues. Developments with vacancies continue to lose income that is needed to maintain operations and meet residents' needs.

When housing costs rise, such as rent or carrying costs, tenants often experience considerable financial stress. This strain can lead to difficulties in making timely payments, resulting in rent arrears. For example:

Arverne, North Shore, and York Hill (2023-N-2)

- Auditors reviewed financial statements and Aged Delinquency Reports and found that all three developments showed rent arrears. Arverne and North Shore had approximately \$1.4 million and \$1.7 million in delinquent (more than 90 days overdue) rent arrears.

Studies consistently show that rent increases, particularly those that are large or frequent, are a primary driver of tenant turnover—and contribute to more vacancies.²⁰

Financial Instability Leads to Physical Condition Issues

A lack of sufficient funds from rent/maintenance, coupled with questionable spending and misspent funds, places financial strain on Mitchell-Lama developments. When developments make unnecessary or improper payments, it diverts money away from normal operations, including the repair of unsafe conditions. For example:

Cathedral (2022-S-9)

- The 27 transactions, totaling \$159,038, that auditors reviewed and found unrelated to normal program operations could have been used to address the numerous physical conditions that required corrective action found by the development's Management Representative. These conditions included missing concrete, calcium drips, a trip hazard, pools of water, cracks in sidewalks, an unsafe retaining wall and mold/fungus on the playground mat of a preschool located in the development.

Clinton Towers and Tivoli (2024-N-4)

- Despite operating at a net loss, Clinton spent nearly \$50,000 on items unrelated to normal operations. The development reported that, as of June 30, 2025, it had outstanding payables of about \$4.1 million. Similarly, despite operating at a net loss of \$930,112 in 2022, before depreciation, Tivoli spent about \$80,000 on items that were either unrelated to operations or were inadequately supported. The development reported that, as of September 30, 2024, it had \$207,496 in outstanding payables. If Clinton and Tivoli continue to make unnecessary payments and purchases while operating at a net loss, it may result in maintenance cost increases, the inability to address hazardous conditions, or other negative consequences for residents.

Financial constraints contribute to deteriorating physical conditions; inadequate maintenance accelerates physical decline, which in turn may result in long-term vacancies and intensified fiscal pressure, leading to a detrimental feedback loop. This negative feedback loop leads to deteriorating building conditions and a lack of financial resilience, which undermines the long-term goal of preserving affordable housing and ultimately jeopardizes the health, safety, and well-being of residents.

Audit Recommendations and Corrective Action

Audit recommendations are intended to serve as a resource for oversight entities to use in effectively managing program operations and meeting the expectations of taxpayers. They offer forward-facing actions agencies can take to improve operations. State law requires that State auditees report back to the Office of the State Comptroller and others on the actions taken by agency officials to implement audit recommendations within six months of an audit, while City auditees may choose to do so as well. The Comptroller's Office may later conduct a follow-up engagement to determine whether agency officials have implemented recommendations that resulted from an audit.

The Comptroller's Office conducted follow-up engagements on its two audits examining the physical and financial conditions of DHCR-supervised developments. These follow-ups show that while DHCR has taken some action, more needs to be done to correct the underlying issues identified.

Based on findings related to developments' physical conditions, auditors have recommended that DHCR improve oversight of developments' physical conditions, including immediate corrective action when hazardous conditions are identified and compliance with inspection and reporting requirements. The follow-up engagements found that, while DHCR issued additional guidance to ensure that developments took corrective actions when unsafe conditions were identified, multiple dangerous conditions cited in their original audit still existed.

Based on findings related to developments' financial management, auditors have also recommended that DHCR review developments' transactions to ensure expenditures were appropriate and that supporting documentation was sufficient. To address some of the root causes, auditors recommended that DHCR provide regular training for development management and boards of directors to ensure they are aware of good governance and their fiduciary responsibilities. While follow-up engagements have found DHCR reviewed expenditures at sampled developments, these reviews were incomplete and failed to identify inappropriate or unusual expenditures. Further, DHCR issued two memos to all owners and management regarding, among other items, unauthorized payments. DHCR also issued and advised developments of a mandate for board members to complete regular training per auditors' recommendation (DHCR did not require similar training for developments' managing agents). The Comptroller's Office follow-up engagements determined that while developments located outside of NYC complied, NYC developments for the most part did not.

The Comptroller's Office follow-up engagements offer important insights into agencies' responsiveness in taking corrective actions and accountability for making meaningful program improvements. While some efforts to address issues were made, the limited implementation of audit recommendations and persistence of problems underscore the need for a systematic solution to ensure the Program remains viable.

Conclusion and the Path Forward

This report reveals chronic problems facing developments within the Mitchell-Lama Program, including unsafe and unsanitary living conditions (structural damage, mold, and pest infestations) and financial mismanagement (misspent funds, unsupported transactions, and lost income from vacant units). Together, these interrelated issues, as well as inadequate oversight by DHCR and HPD, contribute to a cycle that not only threatens the long-term affordability and viability of these crucial affordable housing developments but also places residents at risk of mental and physical harm and, ultimately, displacement.

In recent years, New York State has made sizable investments in Mitchell-Lama housing, including \$440 million in capital appropriations²¹ intended for preservation and rehabilitation of the housing stock since State Fiscal Year 2023, and enhanced tax abatements to support financial viability. But in order for these investments to meaningfully contribute to the improvement of Mitchell-Lama housing, the State and City must improve transparency, enhance reporting, and better monitor and enforce maintenance, financial and other standards.

Better information is needed. DHCR and HPD should undertake a comprehensive physical needs assessment of the developments and report the findings for individual developments and in the aggregate for all buildings. The report should identify hazardous conditions and deficiencies that require urgent attention, and the agencies should require developments to enact plans that address hazardous conditions within 30 days. HPD and DHCR should verify through site visits that the plans have been approved and are being implemented, and that the hazardous conditions have been mitigated.

DHCR and HPD should also work with the developments to help produce preventive maintenance schedules to keep buildings in a good state of repair. This has the potential to reduce the number of expensive future repairs and reduce costs for residents.

While information is available on the financial profiles of Mitchell-Lama developments, the financial statements also should be made publicly available to improve transparency on the financial health of each development. DHCR and HPD can also provide assistance by benchmarking the financials and certain operating metrics—such as long-term vacancy rates—to each other and to other similar housing stock, and by providing technical assistance to developments looking to improve their property management or financial operations. In addition, HPD and DHCR should consider approving annual budgets to ensure financial decisions are not made that jeopardize either the affordability or the condition of the development.

For Mitchell-Lama developments to remain safe and affordable for another generation of middle-income New Yorkers, solutions that support the Program as a whole, balance residents' needs with fiscal responsibility and long-term preservation, and improve weak oversight and governance are essential.

Appendix

Summary Table of Comptroller's Office Audits Included in This Report

| # | Issue Date / Follow-Up Issue Date | Audit Number / Follow-Up Number | Agency and Audit Name | Scope Period | Audited Developments (Location) |
|---|-----------------------------------|---|--|------------------------------|---|
| 1 | July 2021 / March 2023 | 2020-N-2 / 2022-F-34 | HPD: Mitchell-Lama Vacancies | 2019 – March 2021 | 11 (NYC): Bronx - O.U.B. House - Stevenson Commons Brooklyn - Lindsay Park - Roberto Clemente Plaza Manhattan - East Midtown Plaza - Esplanade Gardens - Independence House - Village East Towers Queens - Dayton Beach Park - Ocean Village Staten Island - Castleton Park |
| 2 | June 2023 / June 2025 | 2022-S-9 / 2024-F-30 | DHCR: Physical and Financial Conditions at Selected Mitchell-Lama Developments in New York City | January 2019 – January 2023 | 4 (NYC): Brooklyn - 753 Classon Avenue - Housing Company Bronx - Findlay House - Jamie Towers Manhattan - Cathedral Parkway Towers |
| 3 | December 2023 / March 2026 | 2022-S-46 / 2025-F-18 | DHCR: Physical and Financial Conditions at Selected Mitchell-Lama Developments Located Outside New York City | January 2019 – December 2022 | 5 (outside of New York City): Albany - Executive House Dutchess - Tompkins Terrace Monroe - Seneca Towers Westchester - Barker Terrace - Sunnyside Manor |
| 4 | September 2024 / N/A | 2023-N-2 | HPD: Physical and Financial Conditions at Selected Mitchell-Lama Developments | January 2019 – February 2024 | 3 (NYC): Manhattan - York Hill Queens - Arverne/Nordeck Staten Island - Arlington Terrace/North Shore |
| 5 | January 2026 / N/A | 2024-N-4 | HPD: Physical and Financial Conditions at Selected Mitchell-Lama Developments | January 2019 – April 2025 | 3 (NYC): Brooklyn - Tivoli Towers Bronx - Evergreen Gardens Manhattan - Clinton Towers |

Endnotes

- 1 Office of the State Comptroller, *New Yorkers in Need: The Housing Insecurity Crisis*, February 2024 at pp. 1-2.
- 2 Office of the State Comptroller, *New Yorkers in Need: The Housing Insecurity Crisis*, February 2024 at p. 5.
- 3 Vicki Been, et al, *Critical Land Use and Housing Issues for New York State in 2023*, NYU Furman Center, January 2023 at https://furmancenter.org/files/publications/Critical_Land_Use_and_Housing_Issues_for_New_York_State_in_2023_Final.pdf at p. 6.
- 4 New York City Department of Housing Preservation and Development (HPD), press release, February 8, 2024, at <https://www.nyc.gov/site/hpd/news/007-24/new-york-city-s-vacancy-rate-reaches-historic-low-1-4-percent-demanding-urgent-action-new#0>.
- 5 Caitlin Waickman. *Rent Regulation in NYC*.HPD. p, 10, at <https://www.nyc.gov/assets/hpd/downloads/pdfs/about/rent-regulation-in-nyc.pdf> (accessed on September 15, 2025)
- 6 Mitchell-Lama Residents Coalition, at <https://www.mitchell-lama.org/> (accessed on September 18, 2025)
- 7 Mitchell-Lama Residents Coalition, at <https://www.mitchell-lama.org/> (accessed on January 21, 2026)
- 8 The New York State Division of Housing and Community Renewal (DHCR) is an agency within New York State Homes and Community Renewal (HCR)
- 9 DHCR's oversight responsibilities are outlined in the New York State Codes, Rules, and Regulations, Title 9 (DHCR Regulations) and HPD's in the Rules of the City of New York, Title 28: Housing Preservation and Development (HPD Rules).
- 10 They are required to make records available for inspection and review by the owner, HPD, or other interested parties.
- 11 New York State Division of Housing and Community Renewal, State-Supervised Middle Income Housing Developments, October 2025, at <https://hcr.ny.gov/system/files/documents/2025/10/state-supervised-middle-income-housing.pdf>, New York City Department of Housing Preservation and Development, *Mitchell-Lama Housing Companies and Redevelopment Companies, July 2024*, at <https://www.nyc.gov/assets/hpd/downloads/pdfs/services/MLLIST.pdf>, and New York State Homes and Community Renewal, 2025 Annual Report: Mitchell-Lama Housing Companies, June 2025, at <https://hcr.ny.gov/system/files/documents/2025/10/2025-annual-mi-report.pdf>. The Comptroller's Office excluded Mitchell-Lama developments supervised by the New York State Housing Finance Agency and the U.S. Department of Housing and Urban Development. Please note: Cadman Towers is no longer an HPD-supervised development and is therefore excluded from this analysis.
- 12 United States Department of Housing and Urban Development (HUD), *HUD's Guidance on Integrated Pest Management*, February 3, 2006, at <http://nchharchive.org/Portals/0/Contents/HUD%20Guidance%20on%20IPM.pdf#:~:text=Prevent%20Pest%20Entry%20and%20Movement:%20%E2%96%AA%20Monitor,barriers%20to%20pest%20entry%20and%20movement.%207>.

- 13 National Institute of Environmental Health Sciences, "Mold," NIH, March 2025 at <https://www.niehs.nih.gov/health/topics/agents/mold>.
- 14 Jarrett Lau, "The Importance of Reliable Pest Control for Tenant Satisfaction," Green Ocean Property Management Boston, June 6, 2024, at <https://greenoceanpropertymanagement.com/the-importance-of-reliable-pest-control-for-tenant-satisfaction/#:~:text=Pest%20infestations%20can%20have%20severe,can%20make%20it%20feel%20uninhabitable>.
- 15 753 Classon Avenue Housing Company has subsequently been renamed "Jewish Hospital Staff."
- 16 HUD, *The Public Housing Modernization Standards Handbook*, February 4, 1985, at <https://www.hud.gov/sites/documents/74852c8pihh.pdf>.
- 17 For example: Jamie Towers (Bronx) reported outstanding debt of approximately \$690,000 as of October 2021 (2022-S-9); Tivoli (Brooklyn) operated at a net loss of \$930,112, before depreciation, in fiscal year 2022 (2024-N-2); and Clinton Towers (Manhattan) operated at a net loss, before depreciation, for three years: \$416,566 in fiscal year 2021, \$412,474 in 2022, and \$216,894 in 2023 (2024-N-4).
- 18 Additional examples from the audits include: Evergreen (Bronx) had a contract with payments totaling \$811,350, yet the Development's management agency did not provide auditors with HPD's written approval or evidence of competitive bidding. Clinton Towers (Manhattan) paid one vendor more than \$579,810 to provide repair services and its managing agent informed auditors that they were not aware of the requirement to notify HPD of payments to vendors that in aggregate equal or exceed \$100,000 (2024-N-4).
- 19 Officials explained that their two-bedroom external list was exhausted by 2017 and a new waiting list (lottery) was not held until August 2019 – but this explanation does not address why a highly desirable two-bedroom apartment vacant in 2015 went unfilled for two years before the waiting list was exhausted.
- 20 Kathryn Reynolds & Elizabeth Burton, "Almost Half of Renter Households Feel Pressured to Leave Their Homes," Urban Wire, November 3, 2023 at <https://www.urban.org/urban-wire/almost-half-renter-households-feel-pressured-leave-their-homes>.
- 22 Office of the State Comptroller, *New Yorkers in Need: The Housing Insecurity Crisis*, February 2024, pp. 27-28.



Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

518.474.4044

www.osc.ny.gov

Prepared by the Division of State Government Accountability
and the Office of Budget and Policy Analysis



FOLLOW US: osc.ny.gov/subscribe