



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

The Mitchell-Lama Program: Awarding Housing Units and Maintaining Waiting Lists

New York City Department of Housing Preservation and Development



Report 2014-N-3

July 2015

Executive Summary

Purpose

To determine whether Mitchell-Lama-financed housing units are assigned to eligible persons in compliance with properly established waiting lists for the period January 1, 2012 through November 30, 2014.

Background

The New York City Department of Housing Preservation and Development (HPD) is the nation's largest municipal housing preservation and development agency. Its mission is to make strategic investments that will improve and strengthen neighborhoods while preserving the stability and affordability of existing housing stock. The Mitchell-Lama program was created in 1955 to provide affordable rental and cooperative housing to moderate-income families. In New York City, there are 97 HPD-supervised Mitchell-Lama rental and limited-equity cooperative developments, with more than 45,300 total units. Each development is administered by either a Board of Directors (cooperatives) or a managing agent (rentals and cooperatives). Applicants apply to the individual developments for a unit of a specific size, and their names are placed on a manually maintained waiting list (list) created by HPD staff and subsequently maintained by the respective managing agents. As vacancies occur, applicants should be selected in the order they appear on the list and sent to HPD for approval. This audit is part of the Comptroller's statewide initiative for audits of public programs designed to improve housing opportunities for working-class residents.

Key Findings

- Applicants who were next in line for units in a specific development were not always offered and/or awarded a unit in the order they were listed. Also, we identified unit occupants whose names were not submitted to HPD for approval by the respective managing agents.
- We observed inconsistencies in the methods used by HPD staff to place applicants on development waiting lists.
- Development officials often did not indicate who made notations (e.g., indicating applicants' continued interest in Mitchell-Lama units) on the manually prepared lists or when those notations were made. Several notations we tested were unsupported and/or disputed by applicants.
- HPD did not adequately monitor building managing agents, nor did they take corrective actions, when appropriate.

Key Recommendations

- Formalize procedures to conduct lotteries and establish waiting lists for housing developments.
- Require managers of housing developments/buildings to maintain appropriate supporting documentation for notations made to waiting lists.
- When awarding available units, prepare and maintain sufficient documentation of the reasons for awarding units to applicants other than the next available applicant on the waiting list.
- Increase the number and frequency of internal compliance reviews to ensure units are occupied by eligible and HPD-approved applicants. Formally follow up on significant deficiencies to ensure that they are corrected.

Other Related Audit/Report of Interest

[Division of Housing and Community Renewal: Vacancies at Selected Mitchell-Lama Housing Developments \(2008-S-122\)](#)

**State of New York
Office of the State Comptroller**

Division of State Government Accountability

July 29, 2015

Ms. Vicki Been
Commissioner
New York City Department of Housing Preservation and Development
100 Gold Street
New York, NY 10038

Dear Commissioner Been:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and effectively. By so doing, it provides accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the New York City Department of Housing Preservation and Development, entitled *The Mitchell-Lama Program: Awarding Housing Units and Maintaining Waiting Lists*. The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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Background

Many New Yorkers have been increasingly challenged to find affordable housing, in the face of stagnant or declining income and rising housing costs. As of 2012, the U.S. Census Bureau estimated that more than 50 percent of renters and 30 percent of homeowners in New York State exceeded the U.S. Department of Housing and Urban Development’s “home affordability threshold” of 30 percent (i.e., percentage of income spent on housing costs); and within those groups about 1.5 million households spent more than half their income on housing. This audit is part of the Comptroller’s statewide initiative for audits of public programs designed to improve housing opportunities for working-class residents.

The New York City Department of Housing Preservation and Development (HPD) is the nation’s largest municipal housing preservation and development agency. Its mission is to make strategic investments that will improve and strengthen neighborhoods while preserving the stability and affordability of New York City’s existing housing stock. The Mitchell-Lama program was created in 1955 to provide affordable rental and cooperative (co-op) housing to moderate-income families. In New York City, there are 97 HPD-supervised Mitchell-Lama rental and limited-equity cooperative developments, with more than 45,000 total units.

Prospective tenants and members of cooperatives (applicants) are eligible to rent or purchase an apartment if their income falls below a prescribed limit and the number of people in the household matches the occupancy standards for the unit. Applicants apply to the individual developments, and their names are placed on manually maintained waiting lists (lists). As vacancies occur, applicants should be offered and awarded units in the order they appear on the lists, after HPD approval.

HPD has sole oversight responsibility for 84 Mitchell-Lama developments, and it jointly supervises the remaining 13 Mitchell-Lama developments with the Federal Department of Housing and Urban Development. Each rental development is administered by a managing agent, and each co-op development is administered by a Board of Directors, who hire a managing agent to handle the day-to-day affairs of the development.

When a development has a sufficient number of applicants, its list can be “closed.” As units are assigned to applicants (and the waiting list shortens), developments periodically reopen their lists and new applications are accepted based on a lottery system. The newly selected applicants are to be notified by the respective managing agent of their position on the list and are requested to remit an application fee, which is usually \$200.

We focused our audit on three developments with comparatively longer waiting lists. The developments included: Cadman Towers (a co-op development in Brooklyn with 421 units); Trinity House (a rental development in Manhattan with 199 units); and Washington Square Southeast (a co-op development in Manhattan with 174 units). In addition, we observed a lottery for admission to a list for an HPD-supervised Mitchell-Lama development in Harlem.

Audit Findings and Recommendations

The managing agents and Boards of the sampled developments did not always offer and award housing units to applicants in the order in which the applicants appeared on the waiting lists. In several instances, it appeared that certain applicants were taken out of order and given priority for access to units over applicants who were before them on the waiting lists. We also identified instances when units were awarded to occupants who were not approved by HPD. Given the need for affordable Mitchell-Lama housing, these weaknesses could compromise the integrity of this important program.

We observed inconsistencies in the methods used by HPD staff to place applicants on development lists. Further, the handwritten lists often included notations that were vital for list administration, including applicants' continued interest in Mitchell-Lama units and/or other pertinent information. However, there was no indication who made notations or when the notations were made. Moreover, several of the notations were unsupported and disputed by the applicants we surveyed. We concluded that HPD officials did not adequately monitor the actions taken by managing agents and Boards, nor had they taken sufficient corrective actions when needed.

Awarding Housing Units

We identified deficiencies in the processes managing agents used to offer and award housing units to applicants. Specifically, at Trinity House and Washington Square Southeast, units were not always offered and awarded to applicants in the order in which they appeared on waiting lists, as otherwise required by the New York City Mitchell-Lama Rules (Rules). Also, multiple occupants at each of the three developments were not approved by HPD, as required.

Applicant List Was Not Followed in Sequence

As previously noted, applicants should be offered and awarded housing units in the order in which they appear on the lists, after HPD approval. For the period January 1, 2012 through November 30, 2014, we sought to determine whether there were applicants who were eligible for the 69 available units at the three selected developments, but were not offered or awarded them.

At Trinity House, three applicants were passed over in favor of other applicants whose names were lower on the list. For example, applicant #82 was selected by Trinity's managing agent and approved by HPD officials for a one-bedroom unit in October 2014. However, the names of three other applicants (#25, #31, and #33) were before #82 on the list. A notation on the list for applicant #31 stated that the applicant had continued interest in a unit. Further, we discussed this case with Trinity officials, and they agreed that applicant #25 should have been offered the unit before applicant #82.

At Washington Square Southeast, we found there were no addresses noted on the existing list, created by lottery in 2004, for most of the first 300 names that were placed on the list. Washington Square management explained that at the time of that lottery it was up to the management

company to use the postcards selected in the lottery to determine the applicants' addresses.

Attached to the waiting list was a 2011 email indicating that building management did not have postcards for 23 of the 1,600 names on the list. Among the missing postcards were the cards submitted by applicants #298, #299, and #300, who were in line for a unit but were passed over for an applicant farther down on the list. While we were on site at Washington Square Southeast, we observed a box labeled "postcards" in the open and in the same room that is occupied by building management staff. In the box were the postcards for applicants #1 through #300, including the postcards for the three previously referenced applicants (#298 through #300 who were passed over). Based on our observations, we concluded that HPD officials should carefully review updated applicant lists at each six-month submission or when otherwise received.

Applicants Were Not Approved by HPD

Any changes in occupancy from a previously approved applicant, whether succession to a family member or filling a vacancy with a new applicant, is subject to the Rules and must be approved by HPD. Each year, Mitchell-Lama unit occupants are required to submit income affidavits reporting all household members and their respective incomes. In addition, each of our sampled developments maintained monthly rent rolls listing the charges for each unit.

We compared the names on the December 2014 rent rolls for our sampled developments with the names on those developments' income affidavits for calendar year 2013 (the most recent affidavits on file during our field work). We found a total of 40 units (7 units at Cadman Towers, 11 at Trinity House, and 22 at Washington Square Southeast) where the names on the rent rolls did not match those on the corresponding income affidavits. We sought explanations for those discrepancies and determined the following:

- **Cadman Towers** – Occupants in two of the seven units were in the process of obtaining succession approval. In both cases, HPD requested additional information from Cadman in late 2013, but had not received it as of January 5, 2015. Moreover, Cadman's managing agent had not submitted applications for the remaining five units to HPD for succession approval – nor did the managing agent provide us with documentation to explain these deficiencies. Consequently, it is unclear whether the occupants of any of the seven units in question should have been residing at Cadman.
- **Trinity House** – Of the 11 discrepancies we identified at Trinity House, nine appeared to require succession approval from HPD. However, none of the nine were submitted to HPD for approval. The other two discrepancies did not appear to require HPD succession approval. However, of greater concern, Trinity House management changed the name on the rent roll for one of the units without HPD approval of the tenant's succession rights. After we informed HPD officials of this, they investigated the matter and determined that the occupant was not entitled to the unit, and HPD directed Trinity House management to commence eviction proceedings.
- **Washington Square Southeast** – Of the 22 discrepancies we identified at Washington Square Southeast, four had either been resolved or were in the process of being resolved internally. However, the other 18 had not been sent to HPD for succession rights approval,

nor did building management provide us with documentation to explain these deficiencies. Consequently, it is unclear whether the occupants of the 18 units in question should have been residing at Washington Square Southeast.

We shared our findings with HPD officials, and they indicated they would follow up on them. HPD officials also informed us that they conduct periodic compliance reviews, which we noted identified problems similar to those we identified. However, between January 2012 and November 2014 (a period of 35 months), HPD conducted only nine reviews and followed up on the deficiencies they identified at only six of the nine sites. HPD officials agreed that they should increase the number of compliance reviews conducted. They cited staffing issues as a cause for the limited number of reviews conducted in recent years.

Use of Lottery for Waiting Lists

The Rules require applications to be consecutively numbered and dated upon receipt by the housing company or numbered in the order of selection by lottery, as applicable. In essence, the first application to be received or pulled by lottery will be #1 on the list (in the case of a new list), or the first number added to an existing list. A separate list is maintained for each type of unit (e.g., one bedroom, two bedroom, etc.).

In January 2015, we observed a lottery for an HPD-supervised Mitchell-Lama co-op in Harlem (not one of the three developments we selected for detailed testing). An HPD official drew applicant postcards from a bag in groups of 20. After each group of 20 postcards were pulled, another HPD official numbered the cards in reverse order from which they were selected. Thus, the 20th card pulled was the first to be added to the list. This reverse numbering process continued until the two HPD officials reversed roles, and the postcards were then numbered in the order of selection.

We discussed our observations of the postcard-numbering process with HPD officials, and they informed us that they did not have detailed written procedures for conducting the lotteries. Officials further stated that the lottery process we observed was nonetheless random, and therefore, an acceptable method for adding applicants to waiting lists. Nevertheless, we are concerned that HPD officials used inconsistent lottery methods, which could raise the risk of improper placements of applicants on lists.

We also reviewed the lists created for Cadman Towers in October 2010 for its one-, two-, and three-bedroom units. The list for the one-bedroom units, which contained 571 names, included eight instances where two applicants listed consecutively had the same address and surname. We believe the probability of this occurring to be extremely low, if a random selection process was actually applied. Further, officials had no explanation for how this anomaly occurred.

We discussed our observations with HPD officials, and they stated that they were looking to improve the lottery process. They added that a recent lottery change allows only one postcard per household. Officials further indicated that they plan to conduct future lotteries using an automated system.

Questionable Waiting List Notations

The lists at each HPD Mitchell-Lama development should contain basic contact data (i.e., phone number, address, etc.) for each applicant. In addition, the lists have columns noting the applicant's position (number) on the list and their assigned lottery number. The lists also contain a column for HPD or building management notations. For example, notations might indicate when an offer was sent to an applicant and/or the applicant's response to the offer. An example of a waiting list, with applicants' names and addresses deleted to protect their private information, is presented as follows.

THE CITY OF NEW YORK
DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
OFFICE OF DEVELOPMENT

WAITING LIST

Internal/External: External HOUSING COMPANY: Washington Square Apartment Size: 5
No. of Bedrooms: 2

Number	Lottery # Date of Request	Name of Applicant	Address	Telephone	Priority * If Any
21	58				LS 3/6/13 No Response
22	59				LS 3/6/13 Pending status Relinquished for LS 3/6/13 No Response
23	60				LS 3/6/13 No Response
24	62				LS 3/6/13 Returned 4/12/13
25	63				LS 3/6/13 NFA 6/6/13
26	66				Withdrawn LS 3/6/13 On 3/6/13 List # 6
27	67				LS 3/6/13 NFA 6/6/13
28	68				LS 5/29/13 Returned position to 3/6/13 NFA 6/6/13
29	70				LS 5/29/13 Returned position to 3/6/13 NFA 6/6/13
30	73				LS 5/29/13 Returned position to 3/6/13 NFA 6/6/13
31	74				LS 5/29/13 Returned position to 3/6/13 NFA 6/6/13
32	75				LS 5-29-13 Denied
33	77				LS 5-29-13 Denied
34	78				PERMITS 7/6/13
35	80				LS 10/2/13 NFA
36	82				LS 10/2/13 NFA
37	83				LS 11/25/13 NFA 12/1/13
38	89				LS 11/25/13 NFA 12/1/13
39	93				
40	94				LS 11/25/13 NFA 12/1/13

Important Notice:

- All applications are to be submitted to our agency for approval.
- Internal list has priority over external list.
- Priority is by date and interchangeable from one apartment size to another if family composition changes.
- If application submitted is not next in order of position on list, an explanation is to be sent with the application explaining status or disposition of prior applicants.
- All Rules and Regulations of H.P.D. are to be scrupulously observed.

* If veteran give date of discharge

However, not all of the lists we reviewed included all of the necessary contact information (telephone number, mailing address, etc.). Thus, there is considerable risk that building management was unable to contact all applicants in the order they were posted to the lists. As previously detailed, several Trinity House applicants were passed over when a unit became available. In addition, none of the lists we reviewed contained the name or initials of the person who made the notation, and several did not indicate the date the notation was made. We attributed this, at least in part, to the limited amount of space on list pages for making notations. Also, as detailed later in the report, a number of applicants we surveyed questioned the veracity of notations related to their applications.

Further, building management is required to send updated copies of lists to HPD every six months, or more frequently if there is a request to fill a vacancy. Therefore, HPD officials should have observed that some lists lacked necessary applicant contact information and that units might have been offered to applicants out of sequence. However, there was no evidence that HPD officials were aware of the problems we identified or took actions to address them.

To determine whether qualified applicants were offered and/or awarded a unit in the order they were listed, we sent confirmation letters to 75 applicants at the three sampled developments. In particular, we sought to determine whether the notations were correct. Of the 29 applicants who responded, four confirmed the notations on the lists and 19 disputed them. (In the remaining six cases, we could not clearly determine whether the applicants confirmed or disputed the notations.) Summaries of the results of our survey responses are detailed as follows:

- **Cadman Towers** – We received three responses to confirmation letters sent to 15 applicants. The three respondents disputed the notations on the list made by building management. For two of the three respondents, the notation was “no response” – indicating that the applicants did not respond to management’s query about their continued interest in Cadman Towers. However, both applicants asserted that they did not receive any communication from management regarding their interest. Because of the lack of supporting documentation, it is unclear what actually happened in these instances. For the third respondent, building management noted that the applicant withdrew his/her application. However, the applicant disputed this, stating that the application was not withdrawn. Again, management had no evidence to support its notation.
- **Trinity House** – We received 22 responses to the confirmation letters sent to 45 applicants. Three of the respondents confirmed management’s notations, and 14 disputed them. (We could not clearly determine whether the remaining five respondents confirmed or disputed the notations.) We noted that 10 of the 14 applicants who disputed management’s notations had “No Fee” written next to their names on the list, indicating that the applicants did not remit the \$200 application fee. Nine of these 10 respondents asserted that they were never asked to remit the fee, while the 10th applicant stated that she was asked to remit the fee and did so. All 10 applicants indicated that they would have been interested in renting a unit at Trinity House. Further, as previously detailed, several applicants who were lower on the Trinity House list than other parties were offered units and received them.
- **Washington Square Southeast** – We received four responses to the 15 confirmation

letters sent to applicants. One respondent confirmed building management's notations, two disputed them, and we could not readily determine the position of the remaining respondent. One applicant disputed a "no response" notation next to her name on the list. The applicant indicated she was never offered a unit at the development, and she believed she was still on the list for a three-bedroom unit. Building management did not have any documentation to evidence a letter was sent to this applicant. Further, we noted that an applicant lower down on the list was awarded a three-bedroom unit prior to our inquiry. Thus, the applicant who disputed the "no response" notation may have been improperly passed over for the unit. The other disputing respondent questioned a notation that a request for continued interest had been "returned to sender." In this case, however, building management had appropriate supporting documentation: the stamped letter that was returned by the post office.

When we discussed these issues with HPD officials, they said that they do not confirm the notations on lists, nor do they have any specific rules or guidance on what information the developments should maintain to support their notations. Consequently, HPD officials had less than adequate assurance that managers at the developments were administering the lists properly.

In addition, a State Comptroller's Report 2004-N-8 (issued August 29, 2005) and a New York City Comptroller's Report MJ06-134A (issued on March 24, 2008) both recommended that HPD automate its lists to address concerns with list administration. Yet the lists are still manually prepared and maintained, and there is no specific timeline for automated system implementation.

Other Matter - Units Listed on Airbnb

The Rules specifically prohibit tenants and cooperative owners from accepting any consideration from a guest, invitee, or other occupant in exchange for occupancy, whether temporary or permanent. However, we found a cooperative owner who advertised his Washington Square Southeast unit on Airbnb, a website that lists available short-term rentals. He was charging \$150 per night for guests to stay in his apartment, with a three-night minimum stay. This cooperative owner had seven reviews from guests who have stayed in this unit. We also reviewed the Airbnb website and identified another Washington Square Southeast unit (advertised at \$109 per night), which had reviews from 50 guests.

We informed HPD officials of these observations and they indicated they would follow up with management of Washington Square Southeast.

Recommendations

1. Formalize procedures to conduct lotteries and establish waiting lists for housing developments. The procedures should sufficiently detail steps necessary to ensure a fair applicant selection process and provide consistency among developments.
2. Ensure that waiting lists provide sufficient space to post and update notations regarding

applicants' status, including continued interest in housing units.

3. Require managers of housing developments/buildings to maintain appropriate supporting documentation for notations made to waiting lists.
4. When awarding available units, prepare and maintain sufficient documentation of the reasons for awarding units to applicants other than the next available applicant on the waiting list.
5. Develop and implement formal plans to automate the lottery process and waiting lists. Such plans should include timetables for completing key phases of the projects.
6. Increase the number and frequency of internal compliance reviews to ensure units are occupied by eligible, HPD-approved applicants. Formally follow up on significant deficiencies to ensure that they are corrected.
7. Follow up on the occupant-related matters at the three developments we examined, as detailed in the report.
8. Follow up on the apparent misuse of Airbnb by occupants of units at Washington Square Southeast.

Audit Scope and Methodology

We conducted this audit to determine whether the Mitchell-Lama-financed housing units are assigned to eligible persons in compliance with properly established lists. Our audit included the period from January 1, 2012 through November 30, 2014.

To accomplish our objective, we reviewed the New York State Private Housing Finance Law and HPD's Rules and Regulations and procedures. We interviewed relevant HPD officials to gain an understanding of the Mitchell-Lama program and the internal controls pertaining to the establishment of the lists. We also interviewed managing agents for the three developments we visited to understand how they maintain the waiting lists and their process for providing units to applicants on the lists. We reviewed previous HPD audit reports issued by the New York State Comptroller and the New York City Comptroller. We examined nine compliance reports that were completed by HPD during the period January 2012 to November 2014. We also mailed out 75 confirmation letters to applicants for the three developments to confirm waiting list annotations.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during our audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

As is our practice, we notified HPD officials at the outset of the audit that we would be requesting

a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, officials at the New York City Mayor's Office of Operations have informed us that, as a matter of policy, mayoral agency officials do not provide representation letters in connection with our audits. As a result, we lack assurance from HPD officials that all relevant information was provided to us during the audit.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law.

Reporting Requirements

We provided a draft copy of this report to HPD officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of the report. HPD officials agreed, in whole or in part, with each of our report's recommendations. Officials further indicated the steps that have been and/or will be taken to implement them.

Within 90 days after final release of this report, we request that the Commissioner of the New York City Department of Housing Preservation and Development report to the State Comptroller advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons why.

Contributors to This Report

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Agency Comments



VICKI BEEN
Commissioner

Office of the Commissioner
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July 15, 2015

Mr Frank Patone, CPA
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Division of State Government Accountability
123 William Street - 21st Floor
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Re: Audit Report on the The Mitchell –Lama Program: Awarding Housing Units and
Maintaining Waiting Lists
Audit # 2014-N-3

Dear Audit Director Patone,

I write to thank you for the audit report “The Mitchell-Lama Program: Awarding Housing Units and Maintaining Waiting Lists” and for providing HPD with an opportunity to respond to the report.

As detailed in the attached response, HPD agrees with and is committed to implementing many of the recommendations contained in the audit report. We are confident that the lottery as it currently exists is fair and equitable, and that automation will result in a more transparent process and an improved customer experience for applicants. The de Blasio administration is fully supporting HPD’s plans for enhancing our lottery technology. Additionally, we are increasing staffing in the Division of Housing Supervision, which oversees Mitchell-Lamas, to ensure appropriate follow-up for our compliance reviews.

Thank you in advance for considering our responses to the audit report. I would be happy to discuss our response with you if that would be helpful.

Sincerely,

Vicki Been

attachment



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AUDIT RESPONSE
 NEW YORK STATE OFFICE OF THE COMPTROLLER
 AUDIT OF THE NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT'S
 MITCHELL LAMA PROGRAM: AWARDED HOUSING UNITS AND MAINTAINING WAITING LISTS
 2014-N-3

<u>Finding</u> Awarding Housing Units	<u>Recommendation 1</u> Formalize procedures to conduct lotteries and establish waiting lists for housing developments. The procedures should sufficiently detail steps necessary to ensure a fair applicant selection process and provide consistency among developments.	<u>Response to Recommendation 1</u> Agree. In the short term, HPD will review its current processes and procedures for conducting lotteries, making adjustments as needed. These procedures will detail the steps that we take to continue to ensure a fair opportunity for all applicants to be selected. HPD will automate the lottery process by Spring 2016 and will produce procedures related to this new automated process.
Applicants List was not followed in Sequence		
Applicants were not Approved by HPD		
Use of Lottery for Waiting Lists		
<u>Finding</u> Questionable Waiting List Notations	<u>Recommendation 2</u> Ensure that waiting lists provide sufficient space to post and update notations regarding applicants' status, including continued interest in housing units.	<u>Response to Recommendation 2</u> Agree. In conjunction with the automation of the lottery, HPD will develop a reformatted waiting list that provides space for updates and notations regarding applicant status. The reformatted waiting list will be implemented prospectively for new lotteries.
	<u>Recommendation 3</u> Require managers of housing developments/buildings to maintain appropriate documentation for notations made to waiting lists.	<u>Response to Recommendation 3</u> Agree. HPD will work internally and with managing agents to determine which appropriate documents must be maintained to support waiting list annotations. HPD will make sure that guidelines are being followed as part of its review and approval of the applications.
	<u>Recommendation 4</u> When awarding available units, prepare and maintain sufficient documentation of the reasons for awarding units to applicants other than the next available applicant on the waiting list.	<u>Response to Recommendation 4</u> Partially Agree. HPD will review the supporting documents described in the response to Recommendation 3 as part of the approval process and place special focus on units that are awarded to applicants other than the next available applicant on the waiting list. The supporting documents will be maintained at the management office rather than

AUDIT RESPONSE
 NEW YORK STATE OFFICE OF THE COMPTROLLER
 AUDIT OF THE NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT'S
 MITCHELL LAMA PROGRAM: AWARDED HOUSING UNITS AND MAINTAINING WAITING LISTS
 2014-N-3

at HPD.

Recommendation 5

Develop and implement formal plans to automate the lottery process and waiting lists. Such plans should include timetables for completing key phases of the projects.

Response to Recommendation 5

Partially Agree.

HPD plans on automating the lottery process by Spring 2016. The full automation of the waiting lists will require a longer implementation schedule, which will be established after making significant progress on the lottery automation.

Recommendation 6

Increase the number and frequency of internal compliance reviews to ensure units are occupied by eligible, HPD-approved applicants. Formally follow up on significant deficiencies to ensure that they are corrected.

Response to Recommendation 6

Agree.

HPD is in the process of hiring an additional compliance review analyst in order to increase the number and frequency of compliance reviews. In addition, HPD will follow up on the pending outstanding compliance reviews that were included in the audit in order to ensure that any deficiencies are addressed.

Recommendation 7

Follow up on the occupant-related matters at the three developments we examined, as detailed in the report.

Response to Recommendation 7

Partially Agree.

HPD has advised management offices of the specifics of the occupant-related matters detailed in the report and will follow up on those matters to determine what, if any, appropriate actions to take.

Finding

Other Matters-
Units Listed on
Airbnb

Recommendation 8

Follow up on the apparent misuse of AirBnB by occupants of units at Washington Square Southeast.

Response to Recommendation 8

Agree.

HPD has informed the management of Washington Square of the apparent misuse of AirBnB by the occupants of units detailed in the report and will follow up to ensure appropriate action is taken. In addition, HPD has sent out a directive to the Mitchell-Lama developments reminding them that using AirBnB or other similar arrangements is prohibited by the Mitchell-Lama rules.