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January 29, 2015

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

Re: Housing Preferences for Veterans  
Report 2014-F-14

Dear Commissioner Been:

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, we have followed up on the actions taken by officials of the New York City Department of Housing Preservation and Development (NYC HPD) to implement the recommendations contained in our audit report, *Housing Preferences for Veterans* (Report 2011-N-3).

**Background, Scope and Objectives**

NYC HPD's mission is, among other things, to improve the availability, affordability, and quality of housing in New York City. The Mitchell-Lama housing program is a critical component of government's efforts to make affordable housing available to New York State residents. When apartments become available, they are sold or rented through waiting lists maintained by each housing development. Since 2007, the State Private Housing Finance Law (Law) has required these developments to give preference to disabled veterans applying for housing. In 2010, the Law was expanded to extend the same preference to non-disabled veterans and their surviving spouses. In New York City, there are 132 City-sponsored, moderate- and middle-income rental and limited-equity cooperative developments, including 50 Mitchell-Lama housing developments. NYC HPD's obligation is to ensure that veterans, including their families, are afforded the legal preferences earned through their service.

Our initial audit report, which was issued on June 6, 2012, determined that although the Legislature extended the right of preference to many more veterans, few actually benefited due to causes consistent with our previous findings at the State level: inaction and/or disregard by housing companies and lax enforcement by the oversight agency. We specifically found two housing companies in Manhattan (Hamilton House and Clinton Towers) filled vacant apartments

with non-veterans even though veterans had been identified on their waiting lists. NYC HPD approved many of these non-veterans' applications, despite the existence of veterans' names on the developments' waiting lists.

The objective of our follow-up report was to assess the extent of implementation, as of December 23, 2014, of the three recommendations included in our initial audit report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that NYC HPD officials have implemented the three prior audit recommendations.

### **Follow-up Observations**

#### **Recommendation 1**

*Take additional steps to educate housing company officials about their responsibility to ensure that appropriate preference is awarded to veterans as specified in the Law.*

Status - Implemented

Agency Actions - In October 2012, March 2013, and March 2014, NYC HPD sent e-mails to housing company officials and their managing agents that were intended to educate them on the requirements for giving veterans preference for vacant apartments. The e-mails included copies of the State Law that extended the preference to non-disabled veterans and their surviving spouses and a copy of the newly created veterans waiting list that the housing companies must maintain. Under the heading "Veteran Preference," the March 2014 e-mail states, in part, "please review both the directive and email to ensure that your development has fully implemented the Veteran preference." The e-mail also states, "Documented veterans selected in lotteries conducted on or after October 4, 2010 are required to be given a preference within the bedroom size lottery that they applied to."

#### **Recommendation 2**

*Actively monitor whether housing companies are taking necessary steps to ensure that veterans receive appropriate preference through actions such as:*

- *Examining application forms and advertisements to ensure information on veteran status is collected and maintained;*
- *Reviewing existing waiting lists to ensure that veterans have not been improperly bypassed in the selection process; and*
- *Periodically examining housing company records to ensure that veterans' information maintained on the waiting lists is accurate and complete, and that appropriate steps are taken to provide veterans with available housing.*

Status - Implemented

Agency Action - As discussed above, NYC HPD provided us copies of e-mails that were sent to housing company officials that provided information on and addressed the need to comply with veteran preference rules. In addition, NYC HPD reviews existing waiting lists at the time an application is submitted to NYC HPD to ensure that veterans have not been improperly bypassed in the selection process. NYC HPD also examines application forms and prepares an application-processing checklist that includes check-offs for proof of preference for veteran status and the existence of a veterans waiting list, where applicable. Our review of 22 advertisements published by housing companies found that each one contained the following language: "veterans will be given preference in the selection process."

### **Recommendation 3**

*Investigate the cases cited in this report where housing companies failed to offer available housing to eligible veterans, including cases of potentially excessive vacancy rates, to ensure housing companies are not acting to deprive veterans of their rights.*

Status - Implemented

Agency Action - NYC HPD conducted a compliance review of Hamilton House's application and recertification process. As a result of this review, NYC HPD issued a report to Hamilton House in May 2012 that concluded that there were serious irregularities in a number of areas, including compliance with program rules and regulations regarding admission, internal transfers, and internal waiting lists. The review covered the period July 2006 through January 2012. While no specific deficiencies regarding veteran preference were detailed in the Compliance Review, the four veterans who were cited as having been inappropriately passed over in our prior audit report have now moved into apartments at Hamilton House, based on the veterans waiting list. Similarly, veterans waiting lists have been developed at Clinton Towers, and veterans have been placed in apartments.

Major contributors to this report were Santo Rendón and Jeffrey Marks.

We thank the management and staff of the New York City Department of Housing Preservation and Development for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Michael Solomon  
Audit Manager

cc: Steven Fodera, NYC HPD  
George Davis, Mayor's Office of Operations