



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer

COMPTROLLER



MANAGEMENT AUDIT

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Deputy Comptroller for Audit

Audit Report on the New York City
Housing Authority's Management of
Vacant Apartments

MD15-060A

June 24, 2015

<http://comptroller.nyc.gov>



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OFFICE OF THE COMPTROLLER
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NEW YORK, NY 10007

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June 24, 2015

To the Residents of the City of New York:

My office has audited the New York City Housing Authority (NYCHA) to determine whether it had adequate controls in place to monitor and track vacant apartments in its public housing developments throughout the five boroughs. We audit City operations such as this to increase accountability and ensure that resources are used in an efficient manner.

The audit found that notwithstanding its waiting list of over 270,000 and its one percent vacancy rate, NYCHA had inadequate controls in place over the monitoring and tracking of its vacant apartments. NYCHA did not ensure that vacant apartments both on and off the rent roll were repopulated with new tenants in a timely manner. The audit also found that NYCHA did not ensure that property managers consistently monitored the conditions of vacant apartments off the rent roll, increasing their susceptibility to vandalism and unauthorized tenants. Finally, the audit found that NYCHA had inadequate controls over the management of apartments allocated for non-residential use by NYCHA or other organizations.

The audit made ten recommendations, including that NYCHA improve its procedures and oversight related to the coordination and completion of repairs and major modernizations so that apartments can be promptly rented; that it make greater efforts to ensure that all developments turn over vacant apartments in a timely manner; that it require periodic monitoring of vacant apartments; and that it maintain up-to-date and accurate records on agencies and private organizations' use of apartments.

The results of the audit have been discussed with NYCHA officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report. If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the New York City Housing Authority's Management of Vacant Apartments

MD15-060A

EXECUTIVE SUMMARY

The objective of this audit was to determine whether the New York City Housing Authority (NYCHA) had adequate controls to enable it to accurately monitor and track vacant apartments in its public housing developments throughout the five boroughs.

NYCHA provides affordable housing for nearly 403,000 low- and moderate-income City residents within 328 housing developments throughout the five boroughs. NYCHA's mission is to increase opportunities for low- and moderate-income New Yorkers by providing safe, affordable housing. NYCHA classifies apartments as being either on the rent roll (on-roll) or off the rent roll (off-roll), depending on the apartment's availability for residential use. An on-roll apartment is an apartment either occupied by a tenant or undergoing the process of turnover to a new tenant. An off-roll apartment is an apartment that is not available for residential use for an extended period.

According to NYCHA records, as of September 19, 2014, NYCHA's inventory of more than 178,000 apartments included 2,342 vacant apartments, consisting of 1,366 off-roll apartments and 976 on-roll apartments. This constitutes a vacancy rate of one percent. Also according to information provided by NYCHA, as of December 22, 2014, there was a wait list of 273,391 households vying for NYCHA apartments.

Audit Findings and Conclusion

Notwithstanding NYCHA's low vacancy rate of only one percent, the audit found that NYCHA had inadequate controls in place over the monitoring and tracking of its vacant apartments. NYCHA did not ensure that vacant apartments both on and off the rent roll were repopulated with new tenants in a timely manner. Regarding vacant off-roll apartments, the audit found that apartments removed because they needed major repairs or renovations remained off the rent roll an average of 2,605 days and that apartments removed because of relocations for elevator rehabilitation remained off the rent roll an average of 689 days. Regarding vacant on-roll apartments, the audit

found that NYCHA took an average of 116 days to fill apartments from our sample of seven developments with new tenants, significantly longer than its stated goal of 40 days.

The audit also found that NYCHA did not ensure that property managers consistently monitored the conditions of vacant off-roll apartments, increasing their susceptibility to vandalism and unauthorized tenants. Finally, the audit found that NYCHA had inadequate controls over the management of apartments allocated for non-residential use by NYCHA or other organizations.

Audit Recommendations

Based on the audit we make ten recommendations, including:

- NYCHA should improve its procedures and oversight related to the coordination and completion of repairs and major modernizations so that the apartments can be promptly rented once the work is complete.
- NYCHA should either ensure that tenants who are temporarily moved due to elevator rehabilitation move back to their original apartments timely so the temporary apartments can be rented to other tenants or promptly rent out the relocated tenants' original apartments.
- NYCHA should make greater efforts to ensure that all developments turn over vacant apartments in a timely manner.
- NYCHA should institute a policy and protocols requiring periodic monitoring of vacant apartments to help ensure the apartments are secure and are not furthered damaged.
- NYCHA should maintain up-to-date and accurate records on agencies and private organizations' use of apartments.

Agency Response

NYCHA generally agreed with nine of the ten recommendations. NYCHA disagreed with the recommendation that it ensure that the occupancy status for off-roll apartments that have been combined with other apartments or used for non-dwelling purposes reflect their current status and maintains that its current method of identification is sufficient.

AUDIT REPORT

Background

NYCHA provides affordable housing for nearly 403,000 low- and moderate-income City residents within 328 housing developments throughout the five boroughs. NYCHA's mission is to increase opportunities for low- and moderate-income New Yorkers by providing safe, affordable housing.

NYCHA classifies apartments as being either on-roll or off-roll, depending on the apartment's availability for residential use. An on-roll apartment is an apartment either occupied by a tenant or undergoing the process of turnover to a new tenant. An off-roll apartment is an apartment that is not available for residential use for an extended period.¹ The request to remove an apartment from the rent roll is generally initiated at the development by the property manager, who submits the request electronically through NYCHA's Movaris system² to be approved by the Borough Director and the Vice President of Operations.

NYCHA's Applications and Tenancy Administration Department (ATAD) is responsible for the management of vacant apartments, which includes the maintenance of the waiting list, the review and oversight of apartments both on and off the rent roll, and matching vacant apartments to new tenants. The Tenant Data System (TDS) is the primary computer system used by ATAD to track vacant apartments for rental purposes.³ Property managers are responsible for updating the information in TDS as necessary, and ATAD becomes aware of apartment vacancies via these updates. TDS is a component of NYCHA's broader main information system Project Information Management System (PIMS).

NYCHA's total occupancy rate is at 99 percent, a reflection of the fact that the demand for affordable housing far outweighs its supply. According to NYCHA records, as of September 19, 2014, NYCHA's inventory of more than 178,000 apartments included 2,342 vacant apartments, consisting of 1,366 off-roll apartments and 976 on-roll apartments. (A breakdown by borough is shown in Appendix I.) According to information provided by NYCHA, as of December 22, 2014, there were 273,391 households on a waitlist for NYCHA apartments.

Objective

The objective of this audit was to determine whether NYCHA has adequate controls to enable it to accurately monitor and track vacant apartments in its public housing developments throughout the five boroughs.

¹ An apartment may be unavailable because it is undergoing significant repairs, major modernization (such as updating kitchens or improving handicap accessibility), conversions to smaller or larger units, or is being used for non-residential purposes by NYCHA, community programs, and other City agencies (e.g., the New York City Police Department).

² Movaris is NYCHA's workflow management tool, and in the case of the removal of vacant apartments from the rent roll, it manages the approval process from the property manager's initiation request, to the approval by the borough Management Directors, and finally to the approval by NYCHA's Executive Vice-President of Operations.

³ TDS contains information that is updated on a continuous, real-time basis regarding individual tenants, apartment move-in and move-out dates, and rent collections.

Scope and Methodology Statement

We conducted this 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 provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Due to problems obtaining information from NYCHA, our office issued a subpoena to NYCHA that included a request for all documents from January 1, 2012, to September 22, 2014 (the date of the subpoena), relating to the management of vacant apartments and the current lists of vacant apartments.

The audit scope was from July 1, 2012, through April 1, 2015. Please refer to the Detailed Scope and Methodology at the end of the report for the specific procedures and tests that were conducted as well as additional information concerning the above subpoena.

Discussion of Audit Results with NYCHA

The matters covered in this report were discussed with NYCHA officials during and at the conclusion of this audit. A preliminary draft report was sent to NYCHA officials and discussed at an exit conference held on May 26, 2015. On June 2, 2015, we submitted a draft report to NYCHA officials with a request for comments. We received a written response from NYCHA officials on June 16, 2015. In its response, NYCHA generally agreed with nine of the ten recommendations. NYCHA did not agree with our recommendation that it ensure that the occupancy status for off-roll apartments that have been combined with other apartments or used for non-dwelling purposes reflect their current status and maintains that its current method of identification is sufficient.

The full text of NYCHA's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

Notwithstanding NYCHA's low vacancy rate of only one percent, the audit found that NYCHA has inadequate controls in place over the monitoring and tracking of its vacant apartments. NYCHA did not ensure that vacant apartments both on and off the rent roll were repopulated with new tenants in a timely manner. Rather, we found that apartments removed from the rent roll because they needed major repairs or renovations remained off the rent roll an average of 2,605 days, and that apartments removed from the rent roll because of relocations for elevator rehabilitation, remained off the rent roll an average of 689 days. We found 80 apartments that have been off-roll for over a decade waiting to undergo repairs that would enable tenants to move back in. Further, for our sample of seven developments, NYCHA took an average of 116 days to fill apartments on the rent roll with new tenants, which is significantly longer than its stated goal of 40 days.⁴

The audit also found that NYCHA did not ensure that property managers consistently monitored the conditions of vacant off-roll apartments, increasing their susceptibility to vandalism and unauthorized tenants. Additionally, NYCHA had inadequate controls over the management of apartments allocated for non-residential use by NYCHA or other organizations.

The audit did find that NYCHA has procedures in place regarding the removal of apartments from the rent roll and their return to the rent roll, and uses computer systems to track and produce on-demand information for vacant apartments. However, these positives are undermined by the deficiencies stated above.

Apartments Not Returned to Rent Roll in a Timely Manner

NYCHA failed to ensure that vacant off-roll apartments are returned to the rent roll in a timely manner. NYCHA's Standard Procedure (SP) stipulates that property managers and management department staff must monitor the status of each apartment removed from the rent roll to ensure it returns promptly to the rent roll.⁵ ATAD also monitors the status and length of time apartments are off the rent roll. However, our review of off-roll apartments at sampled developments that had been removed from the rent roll for major modernization found long delays in their renovation and return to the rent roll. In addition, our review of apartments removed for elevator renovations found insufficient evidence that NYCHA tracked the work's completion to ensure that apartments returned promptly to the rent rolls when it was done.

⁴ To determine whether NYCHA has adequate controls in place to manage its vacant apartments, we judgmentally selected and visited seven developments. Initially, we selected the developments with the greatest number of vacant apartments both on and off-roll and then adjusted our selection to also include developments affected by Superstorm Sandy. The seven developments in the audit sample are: Ravenswood, Wagner, Harlem River, Queensbridge South, Queensbridge North, Red Hook East, and Red Hook West.

⁵ NYCHA's Standard Procedure (SP) specifies the criteria and procedures for removing apartments from the rent roll.

Repairs and Major Modernizations

As of September 19, 2014, there were 312 apartments from NYCHA's developments removed from the rent roll for repairs and/or major modernization. These apartments had been vacant for an average of 2,605 days (over seven years). A breakdown is shown in Table I below.

Table I

Vacancy Periods for Apartments Off
the Rent Roll for Major Repairs or
Modernization

| Length of Time Off the Rent Roll | Number of Apartments |
|---|-----------------------------|
| Greater than 10 Years | 80 |
| 7 to 10 Years | 79 |
| 3 to 7 Years | 82 |
| Less than 3 Years | 71 |
| Totals | 312 |

One hundred and eighty six of the 312 vacant off-roll apartments were located at the sampled developments. Fifty eight of these had been removed from the rent roll for renovations, roof repairs and major modernizations. Of those, 43 were at Harlem River, five were at Ravenswood, and 10 were at Red Hook East. We noted unusually long delays in renovating and returning vacant apartments to the rent roll at Harlem River. For example, according to NYCHA, major modernization has kept one apartment off the rent roll since October 1994, and two other apartments off since 1996.

After requesting information and evidence on what actions NYCHA has taken with regard to the 58 vacant off-roll apartments at our sampled developments, NYCHA provided a March 14, 2014, Letter of Award for major renovations of 42 apartments at Harlem River.⁶ NYCHA did not provide dispositions or evidence that work has begun on the remaining apartments categorized as needing repairs or major modernization.

Overall, NYCHA records indicate that 312 apartments at 42 NYCHA developments were removed from the rent roll for major repairs or modernization—241 (77 percent) were vacant for longer than three years as of September 19, 2014.

One factor that may have contributed to the length of time that these apartments have remained off the rent roll may be a lack of adequate funding to perform necessary work. A NYCHA official stated that NYCHA is looking for funds to fix these apartments. In addition, according to testimony

⁶ An award letter is the decision notice sent out to all successful supplier(s) once the evaluation decision has been made.

by NYCHA’s Chair/CEO before the City Council at a March 26, 2015, hearing, NYCHA has allocated \$4.2 billion in capital funding for these purposes from 2015 to 2019, but has over \$16 billion in total unfunded capital needs that it attributes to its aging infrastructure.

However, of the 80 apartments that have been vacant and off-roll over a decade as of September 19, 2014, 55 have funds allotted for repairs and modernization according to NYCHA.⁷ A breakdown by development is shown in Table II below.

Table II

Apartments Off the Rent Roll for
Major Repairs or Modernization for
Greater Than 10 Years

| Development | Funded Status | Non-Funded Status |
|--------------------|----------------------|--------------------------|
| Harlem River | 11 | 0 |
| Ingersoll | 23 | 0 |
| Lincoln | 0 | 1 |
| Randolph | 21 | 0 |
| West Brighton II* | 0 | 24 |
| Totals | 55 | 25 |

*At the exit conference NYCHA officials stated that these apartments are non-funded.

Another factor that may have contributed to the amount of time it has taken to get apartments back on-roll may be the length of time renovations have taken as a result of ineffective repair work. During our visits to the sampled developments, we noted that repair work was not always completed adequately. At Harlem River, many off-roll vacant apartments had water damage to the ceilings and walls due to leaky roofs. According to NYCHA staff, a contractor had been hired to repair the roofs two times, but the leaks continued after repair work because the brick parapets also needed to be repaired. In addition, when we visited Red Hook East, we attempted to gain access to two apartments that were barricaded with plywood. The manager informed us that these apartments were affected by water from the basement and that two contractors have performed work to correct this issue in the past but that the condition persisted.

NYCHA’s failure to promptly renovate and re-rent apartments has a direct financial cost in that NYCHA does not collect tenant rents for these apartments. We calculate that a total of \$7.7 million was not collected from the 241 apartments across NYCHA’s 334 developments that were off the rent roll due to the need for repairs or major modernizations and vacant for over three years. (Our analysis is shown in Appendix II.)

⁷ Funded indicates that money has been provided by HUD and has been specifically allocated toward the project.

NYCHA Response: “As a result of our extremely low vacancy rate, long term vacancies do not result in loss of subsidy. HUD provides NYCHA with subsidy to compensate for lost rental income for units vacant for modernization, major repairs, or turnover as long as our vacancy rate remains below 3%. Additionally, many of the apartments off-line for non-residential use qualify for subsidies as special use units.”

Auditor Comment: Although requested, NYCHA provided no evidence to support its claim that HUD subsidies offset the loss of rental income. In fact, NYCHA’s own internal audit group issued a report on vacant off-roll apartments that contradicts NYCHA’s claim. In that report, NYCHA auditors state that units taken off the rent roll for purposes of major renovations are subsidized for a period of only up to three years. In that report, NYCHA also calculates the foregone rent for vacant units based on this criterion. Accordingly, we find no basis to alter our finding.

Elevator Rehabilitation

We found 58 of the 186 vacant off-roll apartments at the sampled developments were removed from the rent roll for elevator rehabilitation. Of those, 49 were at Ravenswood and nine were at Wagner.

Tenants relocated due to elevator rehabilitation are given two to three weeks to return to their original apartment once the elevator is back in service. We found, however, that these apartments remained off the rent roll for 288 days, on average, *after* the elevators responsible for the tenant displacement were inspected by DOB and placed back into service. Overall, these apartments remained off the rent roll for an average of 689 days, or nearly two years. At Ravenswood, the 49 apartments were vacant an average of 234 days *after* the elevators were placed back into service, and 18 of these were vacant for 296 days or more. In total, the apartments at Ravenswood were off the rent roll an average of 660 days, with half of them off-roll for 639 days or more.

We observed that many of the apartments at Ravenswood which were still vacant at the time of our visits appeared ready to be rented. For example, DOB records indicate that the elevator related to the removal of two apartments from the rent roll was placed back into service on January 10, 2014. We observed these two apartments on October 21, 2014, and they appeared ready to be re-occupied. However, the apartments were not rented until November 28 and December 16, respectively. For another apartment, the elevator that caused the apartment’s removal from the rent roll was placed back into service on April 21, 2014, but as of February 18, 2015, the apartment had not been rented.

At Wagner, we found that the elevators related to the nine apartments taken off-roll were placed back into service but that the apartments remained vacant an average of 608 days *after* elevator service was restored. In total, the apartments were off-roll an average of 844 days—two of them were off for over 1,000 days. With regard to these nine apartments, NYCHA stated that the apartments “were not turned over on time due to too many at the same time and carpentry and plastering by the Boro could not be provided on time.” However, these explanations suggest weaknesses in NYCHA’s capacity and organization more than they provide a rationale for keeping

inhabitable apartments off the rent roll for years. We also note that NYCHA did not provide any supporting documentation (e.g. work orders) to substantiate its claims.

At the exit conference for this audit, NYCHA officials provided another explanation for why apartments removed from the rent roll for elevator rehabilitation remained off-roll for so long. Officials stated that these apartments were being held for mobility impaired residents and that multiple tenants may be temporarily assigned to an apartment during the course of the development's entire elevator rehabilitation project for all buildings. However, as with the earlier explanation we received, NYCHA did not provide any supporting documentation to substantiate these claims. Additionally, the later explanation does not address why the nine apartments at Wagner remained off-roll for an average of 178 days (almost six months) after all of the elevators were rehabilitated and placed back into service.

As is highlighted by the situations described above, property managers are not taking adequate steps to ensure the apartments are returned to the rent roll in a timely manner when their corresponding elevators are placed back into service. According to NYCHA's SP, upon completion of the elevator work, development staff should promptly notify all temporarily relocated residents to return to their original apartments within two weeks. It also requires that development staff make every effort to return apartments that are no longer needed for relocation to the rent roll as soon as possible. We observed that these steps are not always taken and those failures have contributed to significant delays in NYCHA's re-renting inhabitable apartments.

NYCHA's failure to promptly re-rent apartments after elevator repairs are completed has a direct financial cost in that NYCHA does not collect tenant rents for these apartments. With regard to off-roll apartments due to elevator rehabilitations in the sample of developments we looked at, our calculations show a loss of revenue from foregone rent of \$141,858 at Ravenswood and \$77,147 at Wagner as of February 18, 2015, that resulted from excessive delays in returning tenants to apartments after elevators were replaced and returned to service. (Our analysis is shown in Appendix III.)

In addition, extensive delays in repairs and in returning apartments to the rent roll so that they can be rented out increases the risk that apartments may be vandalized and/or illegally occupied by squatters. These factors can cause further damage to the apartments that would require NYCHA to expend additional monies to make them habitable.

Recommendations

1. NYCHA should improve its procedures and oversight related to the coordination and completion of repairs and major modernizations so that the apartments can be promptly rented once the work is complete.

NYCHA Response: "We are constantly looking for ways to improve our procedures and oversight; however, the issue of returning units to the rent roll efficiently is driven almost entirely by our lack of sufficient resources. Hopefully increased capital work, like the roof replacement to be funded by the recently announced \$300M commitment by the Mayor,

will help reduce the amount of repair work at developments and thus free up staff for the repairs required to rent the units.”

2. NYCHA should review its allocation and oversight of its resources and re-allocate resources as necessary to ensure that repairs and major modernizations of apartments can be accomplished quickly and the apartments promptly rented once the work is complete.

NYCHA Response: “As part of the 10-year roadmap just released by NYCHA called NextGeneration NYCHA, we are refining our capital planning strategy to maximize the benefits to our residents, especially as we are not projected to be able to fulfill all our capital needs. We will continue to make our best effort to maximize the number of units available in a timely manner, but will need to continue to balance that goal with our need to provide services to our current residents.”

3. NYCHA should ensure that repairs done under various contracts are completed adequately and timely so that the need for additional repairs is avoided.

NYCHA Response: “NYCHA currently uses best practices in construction management to ensure that construction projects are delivered effectively, efficiently, on schedule and within budget. Major capital improvement projects all have construction phase durations that are determined by the same NYCHA engineers who prepared the designs and those durations are based on the scope of work. These contract durations are included in contract documents that are competitively bid to ensure that the work is performed according to plan. These engineers also provide all of the standard specifications that need to be complied with on the project. Construction oversight is also provided on ALL NYCHA projects throughout construction phase to ensure that the work is completed according to contract specifications, using quality workmanship and within the schedule established in the contract. This approach is common in most agencies responsible for delivering capital improvement projects.”

Auditor Comment: While NYCHA generally agreed with this recommendation, it did not specifically address the repair work that was not completed adequately at Harlem River and Red Hook East, as discussed earlier in this report. We urge NYCHA to continue its efforts to ensure that construction projects are completed adequately and timely.

4. NYCHA should either ensure that tenants who are temporarily moved due to elevator rehabilitation move back to their original apartments timely so the temporary apartments can be rented to other tenants or promptly rent out the relocated tenants’ original apartments.

NYCHA Response: “Elevator projects create a number of logistical challenges for the Authority. Elevator projects often affect multiple buildings within a development and may take years to complete. As elevator work is done NYCHA is required to ensure that individuals with mobility challenges have access to units that are either serviced by working elevators or are on the ground floor. In order to make this accommodation,

NYCHA often needs to keep a number of units vacant. NYCHA will continue our efforts to improve planning so that we minimize the time apartments remain vacant.”

Auditor Comment: While NYCHA generally agrees with this recommendation, it did not address why the nine apartments at Wagner discussed earlier in this report remained off-roll for almost six months after all of the elevators were rehabilitated and placed back into service. We encourage NYCHA to continue its efforts to improve planning to minimize the time apartments remain vacant.

Turnover of Apartments on Rent Roll Were Not Completed in a Timely Manner

NYCHA failed to ensure that it turned over vacant apartments on the rent roll to a new tenant in a timely fashion. NYCHA’s goal is to inspect a vacated apartment, prepare the apartment for a new tenant and hand over the keys to a new tenant within 40 days.

At the seven sampled developments, there were a total of 115 apartments that were vacant on the rent roll based on lists provided by NYCHA Central and the property managers. Of these 115 apartments, 88 (77 percent) were vacant for more than 40 days—54 of these were vacant for 30 days or more after the 40th day. The average vacancy period was 116 days, or 76 days in excess of the 40-day goal, though it varied extensively between the individual developments sampled. Table III shows the percentage of apartments that were vacant for longer than 40 days and the average vacancy period for the sampled developments.

Table III

Analysis of Vacancy Periods by
Sampled Development

| Development | Total Vacant Apts. | Apts. Vacant > 40 Days | Percent of Apts. Vacant > 40 Days | Average Vacancy Period in Excess of 40 Days (Days) | Average Vacancy Period, in Total (Days) |
|----------------|--------------------|------------------------|-----------------------------------|--|---|
| Ravenswood | 30 | 22 | 73% | 25 | 65 |
| Wagner | 26 | 23 | 89% | 187 | 227 |
| Harlem River | 18 | 16 | 89% | 124 | 164 |
| Queensbridge S | 11 | 7 | 64% | 24 | 64 |
| Queensbridge N | 11 | 5 | 46% | 0 | 40 |
| Red Hook E | 11 | 11 | 100% | 32 | 72 |
| Red Hook W | 8 | 4 | 50% | 41 | 81 |
| Total | 115 | 88 | 77% | 76 | 116 |

NYCHA Response: “The Comptroller's Office auditors tested the turnover rate using the developments with the highest number of vacancies. This biased the

results as the turnaround time directly correlates with the vacancy rate. In developments with higher vacancies the staff is more challenged, both in providing the labor to address all the physical issues in the units, and the issues related to finding, showing and renting the unit. Consequently at these challenged developments it takes longer to re-occupy apartments.

“As a result of this skewed sample, the auditor's found an average vacancy period of 116 days, even though NYCHA's actual average vacancy for apartment turnovers is 57 days, less than half the average number of days reported based on sampling only the seven (7) developments with the highest vacancies.”

Auditor Comment: As clearly stated in our Detailed Scope and Methodology section of the report, we judgmentally selected the developments with the greatest number of vacant apartments both on and off-roll, except for Red Hook East and West. This selection, with the aforementioned exception, was made to determine the extent to which NYCHA has developed strategies to manage those developments with higher vacancy rates.

In addition, in its response NYCHA stated that the turnaround time directly correlates with the vacancy rate. However, this does not appear to be the case. As can be seen in Table III, Ravenswood, which had the highest number of vacant on-roll apartments, had a shorter average vacancy period than Wagner and Harlem River, which had fewer vacancies. Further, NYCHA claims that the average vacancy for apartment turnovers is 57 days but provided no evidence to support this claim. (The Fiscal Year 2014 MMR reports an average apartment turnover of 78 days.)

Table IV shows the number of the apartments at the sampled developments that were vacant longer than 40 days and the periods for which the vacancies exceeded this 40-day period.

Table IV

Frequency of Vacancy Periods, by Sampled Development

| Development | Apts. Vacant More Than 40 Days | Days Past 40 th Day that Apartment Remained Vacant | | | | | | |
|----------------|--------------------------------|---|-----------|----------|----------|----------|----------|----------|
| | | 1-30 | 31-60 | 61-90 | 91-120 | 121-150 | 151-200 | >200 |
| Ravenswood | 22 | 10 | 9 | 2 | 0 | 1 | 0 | 0 |
| Wagner | 23 | 9 | 2 | 1 | 3 | 2 | 0 | 6 |
| Harlem River | 16 | 2 | 3 | 1 | 2 | 4 | 3 | 1 |
| Queensbridge S | 7 | 1 | 4 | 2 | 0 | 0 | 0 | 0 |
| Queensbridge N | 5 | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Red Hook E | 11 | 6 | 3 | 2 | 0 | 0 | 0 | 0 |
| Red Hook W | 4 | 1 | 1 | 0 | 0 | 1 | 1 | 0 |
| Total | 88 | 34 | 22 | 8 | 5 | 8 | 4 | 7 |

As shown in Table IV, six apartments at Wagner and one at Harlem River remained vacant for more than 200 days past NYCHA's 40-day goal. In addition, at Queensbridge South, two of the vacant apartments on the rent roll that we visited appeared ready to be rented, yet remained vacant for an additional 72 and 74 days over NYCHA's goal, for a total of 112 and 114 days off-market, respectively. These additional days off market beyond NYCHA's 40-day goal include an additional 33 and 32 days, respectively, after we confirmed these apartments appeared ready to be rented. Also, at both Red Hook East and Red Hook West, one of the two apartments on the rent roll that we visited at each development appeared ready to be rented, yet they remained vacant for an additional 43 and 176 days, respectively, over NYCHA's goal. The apartment at Red Hook East was vacant for an additional 35 days after our visit, while the apartment at Red Hook West was rented the next day, according to information in PIMS.

In the Fiscal Year 2014 MMR, NYCHA stated that its reason for not adhering to its stated 40-day turnover goal was due to its redeployment of resources from turnover maintenance to address the backlog of repair requests from occupied apartments. However, the MMR indicated that the average time for turnover maintenance increased by about 10 days from Fiscal Year 2013 to Fiscal Year 2014 while the total average turnaround period increased by about 29 days in the same time span. These figures indicate an increase of about 19 days in vacancy periods which is unexplained and not addressed by the explanation contained in the MMR.

We also found little if any evidence that NYCHA adequately follows up on on-roll apartments that remain unoccupied for longer than 40 days. As noted above, we observed some apartments that appeared ready to be rented, but remained vacant for more than a month after we confirmed them as such. We provided NYCHA with a list of the 19 apartments that remained unoccupied for more than 120 days after the 40-day grace period to prepare the apartment for occupancy and requested an explanation for why they were vacant for such a long period. NYCHA responded that these apartments were not turned over on time due to various reasons including the need for carpentry and plastering work, tenant refusals (in some instances multiple times), non-appearances, or the apartments were on hold for Department of Homeless Services. However, NYCHA did not provide any supporting documentation (e.g., work orders for carpentry and plastering) to substantiate its claims.

Because of the delays in turning over these apartments, NYCHA is losing potential rent revenue. We calculated a foregone rent of \$131,083 for these 88 apartments in our seven sample developments.⁸ The breakdown by development is shown in Table V below.

⁸ The amount of lost revenue for an apartment may be offset by subsidies received from HUD for that apartment.

Table V

**Forgone Rent for On-roll Apartments
by Development**

| Development | Number of Apartments | Forgone Rent⁹ |
|--------------------|-----------------------------|---------------------------------|
| Ravenswood | 22 | \$12,416 |
| Wagner | 23 | \$72,758 |
| Harlem River | 16 | \$29,459 |
| Queensbridge S | 7 | \$4,776 |
| Queensbridge N | 5 | \$1,187 |
| Red Hook E | 11 | \$5,266 |
| Red Hook W | 4 | \$5,221 |
| Total | 88 | \$131,083 |

Recommendation

5. NYCHA should make greater efforts to ensure that all developments turn over vacant apartments in a timely manner.

NYCHA Response: “Even with a record 1 percent vacancy, we are always working to improve our efforts to turnover our apartments more quickly; however, for as long as we have insufficient capital funding to address our buildings’ needs, we will continue to balance the needs of in-place residents with our desire to bring more units on-line. The staff that prepares and repairs vacant units is the same as the staff needed to provide residents with the repairs they need.”

Auditor Comment: Although requested, NYCHA provided no evidence, such as work orders for sampled apartments it claimed needed repairs, supporting its explanations as to why these apartments were not turned over timely. In fact, during our visits to Wagner we observed two on-roll apartments that appeared ready to be rented, yet both had been unoccupied for over one year—one of them for more than two years (800 days). We urge NYCHA to continue working to improve its efforts to turn apartments over more quickly.

NYCHA Needs to Improve Its Oversight of Vacant Off-Roll Apartments

According to NYCHA’s Management Manual, vacant apartments must be secured at all times. In addition, according to NYCHA’s SP, property managers are responsible for monitoring off-roll apartments to ensure that they are returned to the rent roll as soon as practicable.

⁹ The forgone rent was calculated based on the number of days an apartment was vacant (excluding the first 40 days) multiplied by the average daily rent of \$14.83 (NYCHA reported average rent of \$445 divided by 30).

We selected 99 vacant off-roll apartments at the seven sampled developments to verify that they were vacant and not being rented out illegally. We identified no instances where the apartments selected were being rented out illegally. However, we identified 47 apartments that were actually in use but listed as vacant in NYCHA's own computerized listings. We also found a number of instances in which the apartments were not properly safeguarded. The results of our analysis are shown in Table VI below.

Table VI

Analysis of Vacant Off-Roll
Apartments

| Development | Number of Apartments Selected for Review | Number of Apartments not Properly Safeguarded | Number of Apartments in Use but Classified as Vacant | Number of Apartments with No Keys | Number of Apartments with Poor Conditions | Total Number of Apartments with Concerns | % of Apartments Visited with Concerns |
|----------------|--|---|--|-----------------------------------|---|--|---------------------------------------|
| Ravenswood | 19 | 6 | 2 | 2 | 2 | 12 | 63% |
| Wagner | 17 | 0 | 8 | 0 | 1 | 9 | 53% |
| Harlem River | 17 | 5 | 0 | 1 | 0 | 6 | 35% |
| Queensbridge S | 11 | 0 | 11 | 0 | 0 | 11 | 100% |
| Queensbridge N | 12 | 0 | 12 | 0 | 0 | 12 | 100% |
| Red Hook E | 13 | 0 | 5 | 0 | 2 | 7 | 54% |
| Red Hook W | 10 | 0 | 9 | 0 | 0 | 9 | 90% |
| Total | 99 | 11 | 47 | 3 | 5 | 66 | 67% |

Apartments Have Inadequate Physical Safeguards

As shown in Table VI, we identified safeguarding issues at the Harlem River and Ravenswood developments, including instances of unauthorized access, vandalism, and lack of secured entrances and/or windows. At Harlem River, we found that two apartments were previously occupied by squatters and that another apartment was being used by a squatter at the time of our visit. NYCHA staff could not get the door to this apartment open using the keys, so a maintenance person climbed through an unsecured window from the roof top and gained access to the apartment. Once inside, it was evident that this apartment was being occupied by a squatter who barricaded the door from the inside. In another apartment at Harlem River, we found the walls covered in graffiti and liquor bottles on the floor, evidence that the apartment was not secured and being used illegally. Further, the locks to two apartments (one mentioned above previously occupied by a squatter) had to be drilled out in order to gain access to the apartments and then replaced with new locks because NYCHA staff could not locate the keys to the locks that were presently in the doors.

At Ravenswood, we found open windows in three apartments, two of which had bird feathers and bird feces in the apartments. At two other apartments, we saw evidence (e.g., drinking glasses, food in the refrigerators with expiration dates shortly before the date of our visit) that those apartments were being used. For two other apartments, NYCHA personnel could not locate the keys and had to drill out the locks. In one case, we verified the apartment was vacant. In the other, we found that the apartment was actually occupied by a tenant with a temporary lease who

we confirmed was placed there while her original apartment was undergoing repairs. In that case, Ravenswood's management had failed to update the development's records to reflect the relocation.

In March 2013, NYCHA issued an internal audit that looked at vacant off-roll apartments. That audit also identified a few instances where apartments were not properly secured and had broken window glass, windows were not properly secured, or apartments had damages that required immediate repair.

These conditions exist in part because NYCHA has not established a requirement specifying the frequency with which property managers must visit and inspect vacant off-roll apartments, leaving it to the discretion of the managers how to monitor these apartments. In addition, apartments are not adequately secured against squatters, vandalism, or additional damage from the elements. Further, with the case of the apartments for which Harlem River and Ravenswood staff could not gain access, there are inadequate controls over the keys to these apartments.

When vacant apartments are not monitored they can be further damaged, resulting in NYCHA incurring additional costs both in repairs and in lost rent revenue from prolonged vacancies. In addition, there is an increased risk to tenants' safety in buildings where squatters are occupying vacant apartments since there is obviously no screening of the squatters and no control over what activities they engage in in the vacant apartments.

Apartments in Approved Use That Were Incorrectly Classified as Vacant

We also found that 47 of the 99 apartments examined that were listed as vacant and off-roll were not physically vacant. Some of the 47 apartments were temporarily occupied by transfer tenants, some were combined with other apartments, and some were being used for non-residential purposes. For example, at Queensbridge North we attempted to view two apartments, 2D and 2E, that were both listed as vacant. We learned instead, however, that they have been combined into one. Further, these combined apartments are not vacant but occupied by a non-profit mental health organization. According to NYCHA representatives, this organization has had an agreement with NYCHA since 1991 to occupy these apartments.

The breakdown of apartments classified as vacant which we found were not vacant at the sampled developments is as follows:

- 21 apartments had been combined with other apartments;
- 4 apartments were occupied by temporary or transfer tenants;
- 17 apartments were being used by NYCHA for non-residential purposes (e.g., NYCHA-run community centers, NYCHA offices, resident association offices);
- 3 apartments were being used by another City agency; and
- 2 apartments were leased to private agencies for community programs.

Apartments used for non-residential purposes are coded in TDS as Community Programs and Development (CPD), and are managed by NYCHA’s Community Operations unit. The non-residential uses include senior centers, day care centers, youth centers, and family services. We questioned why these apartments were included in the list of vacant off-roll apartments but received no response from NYCHA. By classifying these apartments as vacant, NYCHA is providing an inaccurate representation of potentially available space which makes it harder for it to efficiently plan and provide apartments to tenants.

At the exit conference for this audit, NYCHA officials stated that combined apartments and apartments used for non-residential purposes by NYCHA or other entities are coded to clearly identify and track these apartments. However, these codes do not indicate whether an apartment is vacant or occupied. Although requested, NYCHA officials did not provide an explanation for why these apartments, of which only some were vacant, were nevertheless all incorrectly designated as vacant.

Management of Off-Roll Apartments Being Used for Non-Residential Purposes

We also found that NYCHA did not maintain a current list of apartments being used for non-residential purposes. It took NYCHA three weeks to respond to our request for a list of the apartments classified as vacant and off-roll that are being used by NYCHA and other City and private programs. The delay was attributed by NYCHA to the need for additional time to “better identify the use of apartments” and to the “difficulty in obtaining the necessary data.”

NYCHA identified 141 non-residential units used by other City agencies or private programs within its 328 developments. Of this total, NYCHA initially identified 124 (88 percent) apartments as being occupied and 17 (12 percent) as being vacant. After receiving the list and questioning information on the use of some apartments, NYCHA provided an amended list with new organization names or uses for some—a further indication that NYCHA may not have known the identities of the tenants occupying some of these apartments and how the apartments were being used. NYCHA provided corrected information for 16 (11 percent) apartments of the 141 apartments on the listing. The revised figures provided by NYCHA are shown in Table VII below.

Table VII

NYCHA Apartments used for Community Programs by Category

| Category | Count (%) | Occupied (%) | Vacant (%) |
|-----------------------------|-------------------|---------------------|-------------------|
| NYCHA Program | 67 (48%) | 60 (43%) | 7 (5%) |
| Other Public Agency Program | 13 (9%) | 7 (5%) | 6 (4%) |
| Private Agency Program | 61 (43%) | 55 (39%) | 6 (4%) |
| Total | 141 (100%) | 122 (87%) | 19 (13%) |

For the 17 apartments originally identified as vacant, NYCHA stated that nine have been vacant since 2013 or earlier, in a few cases, the apartments have been vacant since at least 2008. Three

apartments that have been vacant since 2008 were classified by NYCHA as “pending” conversion to a management office; no further plan or timetable was provided. NYCHA stated that four apartments that have been vacant since 2013 are in the process of conversion with “no date estimate” because “conversion requires major work.” No further plan or timetable was provided. In addition, two apartments that were removed from the rent roll in 1996 were listed as storage space.

The number of units being used for non-residential purposes is very small. Nevertheless, where the availability of resources is severely limited, NYCHA should maximize its use of apartments to ensure that they do not remain vacant for long periods. Apartments that are vacant could potentially be converted back to tenant use or could be rented for a fee to other organizations.

We also found that NYCHA allows a number of these organizations to occupy the apartments rent-free or at significantly reduced rates. For the above combined apartments at Queensbridge North being used by a non-profit mental health organization, the monthly rent is only \$322, or \$161 per apartment. (As stated on NYCHA’s web site, the average monthly residential rent is \$445.) In another example, one private organization pays a monthly total of \$1,837 rent for the use of nine apartments—an average of \$204 for each apartment. Overall, of 49 apartments used by private parties, NYCHA collects no rent on 18. For the remaining 31, the rent collected on 21 is below the average monthly residential rate.

It is unclear whether these organizations pay little or no rent because they provide non-cash alternative compensation to NYCHA residents. We requested copies of the agreements for nine of these organizations and NYCHA provided copies for five. The agreements do not always define the target population for the provided services nor do they indicate whether these organizations receive compensation from clients. In addition, while two of the agreements automatically renew, the other three have expired—two have been expired for over 20 years. The rental amounts for all five organizations have not changed since the initial agreement. For example, the organization mentioned above that pays \$322 in rent has been paying this amount since the agreement was signed in 1991.

Recommendations

6. NYCHA should institute a policy and protocols requiring periodic monitoring of vacant apartments to help ensure the apartments are secure and are not furthered damaged.

NYCHA Response: “We agree with this recommendation. We will institute regular inspections by property management of vacant and off the rent roll apartments to ensure that they remain locked and have their windows secured, to prevent damage from unlawful entry. NYCHA will implement a plan requiring monitoring of at risk units at specified intervals by the end of this year.”

7. For off-roll apartments that have been combined with other apartments or are being used for non-dwelling purposes, NYCHA should change their occupancy status from vacant to reflect their current status.

NYCHA Response: “HUD requires housing authorities to track *each unit in the initial portfolio* with regard to its inventory and occupancy status unless the authority has disposed of the property. In order to track each initial unit NYCHA uses its Tenant Data System, and when two units are combined, one unit (‘primary’) remains on the rent roll regardless of occupancy status and the other unit (‘secondary’) is always off rent roll. When a combined apartment becomes unoccupied, the primary unit will appear on the on rent roll and Vacant report, the secondary unit remains off rent roll. Based on describe protocol above, NYCHA is always aware of the occupancy status of combined apartments.”

Auditor Comment: NYCHA did not address those apartments used for non-dwelling purposes in its response. Regarding “secondary” units, although requested, NYCHA has not identified the specific HUD regulation that requires the agency to classify all of these apartments as vacant regardless of their occupancy status. In the absence of evidence to the contrary, we have no basis to change our finding or our recommendation.

8. NYCHA should maintain up-to-date and accurate records on agencies and private organizations’ use of apartments.

NYCHA Response: “Over the next 12 months NYCHA will develop an accurate record for all non-resident apartment uses, which will include details on the occupant organization, the permitted use of the space and the status of underlying lease or license agreements.”

9. NYCHA should review the status of vacant apartments used or previously used for non-residential purposes, especially those used for storage, and determine whether they should be returned to residential use or continue to be rented to private organizations.

NYCHA Response: “As of March 2015, NYCHA has completed a review of every apartment used or previously used for non-residential purposes. Where appropriate and when funds for capital work are available, NYCHA will change the usage of the units to residential.”

10. NYCHA should ensure that it has current agreements for all apartments being used for non-residential purposes by private organizations. If an agreement calls for a private organization to provide non-cash compensation as full or partial payment for rent, the terms under which such compensation is to be provided should be clearly stated in the agreement.

NYCHA Response: “We agree NYCHA will develop a uniform process to ensure that all non-residential apartment uses have valid agreements with clearly defined terms and conditions.”

DETAILED SCOPE AND METHODOLOGY

We conducted this 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 provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Due to delays in obtaining information from NYCHA on a number of audits our office has in process, our office issued a subpoena to NYCHA that included a request for all documents from January 1, 2012, to September 22, 2014 (the date of the subpoena), relating to the management of vacant apartments and the current lists of vacant apartments. Additional details regarding this issue are disclosed below.

The audit scope was July 1, 2012 through April 1, 2015.

To obtain an understanding of NYCHA's classification of vacant apartments on and off the rent roll, the process of removing apartments from the rent roll, and its monitoring of apartments off-roll, we conducted walkthrough meetings with the Vice President for Operations, Director of ATAD, and the Director of Brooklyn Property Management. To understand the roles of property managers in managing vacant apartments, we conducted walkthrough meetings with three property managers at developments in Brooklyn, the Bronx, and Manhattan. To obtain an understanding of NYCHA's procedures pertaining to the management of its vacant apartments, we reviewed NYCHA's Standard Procedures *040:04:1- Standard Procedure for Apartments Off the Rent Roll, 040:00:9 – Elevator Modernization*, NYCHA's *Management Manual – Chapter 1, Occupancy*, and the form used by NYCHA to request the removal of an apartment from the rent roll.

We reviewed organization charts for both the organization as a whole and the department(s) involved with the management of vacant apartments in order to obtain an understanding of the levels of responsibilities of the departments and individuals involved in the management of vacant apartments.

We reviewed a prior audit by the NYC Comptroller's Office issued in 2010 on the User Access Controls of NYCHA's Tenant Selection System and TSAP System in order to obtain an understanding of TSAP and its role in selecting tenants for vacant apartments.

We reviewed NYCHA's MMR for Fiscal Year 2014 to understand their plans for continuous improvement and the progress on their previously stated goals with regard to vacant apartments.

We reviewed an internal audit conducted by NYCHA in 2013 on vacant apartments off-roll at select NYCHA developments and on non-dwelling spaces at NYCHA developments.

We requested current listings of vacant apartments both on and off-roll for review on August 5, 2014. We initially received a limited listing of vacant apartments on-roll on September 3, 2014, 28 days after we made our request. We reiterated our request for both complete listings through telephone and e-mail communications as well as at a September 15, 2014 walkthrough with the Vice President of Operations. NYCHA informed us that they would provide them to us by September 18, 2014. Our office issued a subpoena to NYCHA on September 22, 2014 that included a request for all documents from January 1, 2012, to the present relating to the management of NYCHA's vacant apartments and the current lists of vacant apartments both on and off-roll. NYCHA provided the lists of vacant apartments both on and off-roll, current as of September 19, 2014, on September 26, 2014. The lists identified 1,366 off-roll apartments and 976 on-roll apartments. Based on the information provided, we determined the length of time the apartments both on and off-roll were vacant and the reason for the vacancies. We requested a listing of vacant apartments on and off-roll again on December 22, 2014, and compared it to the previous list to determine whether there was a significant difference.

To determine whether NYCHA has adequate controls in place to manage its vacant apartments, we judgmentally selected and visited seven developments. Initially, we selected the developments with the greatest number of vacant apartments both on and off-roll and then adjusted our selection to also include developments affected by Superstorm Sandy. The seven developments in the audit sample are: Ravenswood, Wagner, Harlem River, Queensbridge South, Queensbridge North, Red Hook East, and Red Hook West.

At the time of our visits, we obtained lists of vacant apartments on and off-roll from the property managers and compared them to the list provided by NYCHA to determine whether the information was complete and accurate. To ascertain the status of vacant apartments, we judgmentally selected (based on location and usage) and visited 98 vacant apartments both on and off roll to verify their status and to determine whether NYCHA followed standard procedures regarding their security. We also determined whether any of the apartments were being illegally rented and whether they had adequate controls to prevent damages and vandalism.

For the two developments in the audit sample affected by elevator rehabilitation, Ravenswood and Wagner, we obtained schedules of elevator rehabilitation from the property managers. We tested the accuracy of these schedules by comparing the dates that the developments placed elevators back into service with the dates DOB issued its final permit to place the elevator back into service, obtained from DOB's website. In order to find an alternate source of information for the elevator rehabilitation and turnover period tests, we visited NYCHA Central on February 18 and 19, 2015, to obtain up-to-date tenant information from PIMS, specifically the TDS component. We used move-in dates listed in TDS to determine how long it took to turn over vacant apartments off the rent roll that were removed due to elevator rehabilitation at Ravenswood and Wagner. We requested and reviewed a record of rent payments made by tenants between September 2014 and January 2015 at the seven developments and reconciled it with the list of apartments observed. We also determined whether apartments had unusual rent payment patterns, such as tenants paying negligible or no rent and/or tenants paying excessive amounts of rent.

In addition, we ascertained whether Ravenswood and Wagner repopulated apartments subject to tenant relocations due to elevator rehabilitation when the development returned its corresponding

elevator to service. We also determined whether NYCHA was meeting its goal of turning a vacated apartment on the rent roll over to a new tenant within 40 days.

Because a large number of apartments are off-roll and used by NYCHA and private community programs for non-residential purposes, we conducted a walkthrough meeting with the director of the Community Operations Division to obtain an understanding on the use and management of these apartments. In addition, we requested and reviewed a listing of these apartments, the programs that use them, and the rent paid by these programs (if any). After reviewing this list, we requested evidence documenting when agencies vacated apartments listed as such.

The results of the above tests, while not projected to the populations from which they were drawn, in conjunction with our other audit procedures, provided a reasonable basis for us to determine whether NYCHA has adequate controls to monitor and track vacant apartments.

APPENDIX I

NYCHA Developments and Apartments by Borough¹⁰

| Borough | Developments | Total Number of Apartments | Number of Vacant Apartment | | | Occupancy Rate |
|---------------|--------------|----------------------------------|----------------------------|--------------|--------------|-------------------|
| | | | On-Roll | Off-Roll | Total | |
| Bronx | 94 | 44,493 | 188 | 114 | 302 | 99.3% |
| Brooklyn | 100 | 58,698 | 270 | 551 | 821 | 98.6% |
| Manhattan | 106 | 53,570 | 356 | 326 | 682 | 98.7% |
| Queens | 23 | 17,112 | 120 | 307 | 427 | 97.5% |
| Staten Island | 10 | 4,499 | 42 | 68 | 110 | 97.6% |
| Total | 333 | 178,372 | 976 | 1,366 | 2,342 | 98.7% |

¹⁰ The number of developments and total number of apartments are as of July 16, 2014 and the number of vacant on-roll and off-roll apartments is as of September 19, 2014.

APPENDIX II

Analysis of Foregone Rent for
Apartments Removed from the Rent
Roll for Repairs and Major
Modernization

| Development | Apartments Vacant Longer Than 3 Years | | | Average Vacancy (Years) | Foregone Rent ¹¹ |
|------------------------------|---------------------------------------|--------------------------|---------------|-------------------------|-----------------------------|
| | Funded Modernization | Non-Funded Modernization | Other Repairs | | |
| E 120 th St Rehab | 0 | 0 | 3 | 3.55 | \$8,856 |
| Farragut | 0 | 0 | 1 | 4.62 | \$8,737 |
| Glenmore Plaza | 0 | 0 | 1 | 3.72 | \$3,872 |
| Harlem River | 41 | 0 | 0 | 9.32 | \$1,403,041 |
| Ingersoll | 121 | 0 | 0 | 8.15 | \$3,373,901 |
| Lincoln | 0 | 1 | 0 | 12.86 | \$53,370 |
| Marshall Plaza | 0 | 1 | 0 | 4.73 | \$9,345 |
| Randolph | 37 | 0 | 0 | 10.80 | \$1,561,683 |
| Red Hook East | 2 | 7 | 0 | 4.75 | \$85,158 |
| Sumner | 0 | 0 | 2 | 3.45 | \$4,836 |
| West Brighton II | 24 | 0 | 0 | 12.09 | \$1,180,318 |
| Totals | 225 | 9 | 7 | 8.90 | \$7,693,117 |

¹¹ The forgone rent was calculated based on the number of days an apartment was vacant (excluding the first three years) multiplied by the daily rent of \$14.83 (NYCHA's reported average rent of \$445 divided by 30).

Apartments Removed From the Rent
Roll for Elevator Rehabilitation
Relocations as of February 18, 2015

| Address | Apt | Removed from Rent Roll | Elevator Returned to Service | Returned to Rent Roll | Days Vacant (after Ret. Of Elev.) | Days Vacant in Total | Foregone Rent ¹² |
|-------------------|-----|------------------------|------------------------------|-----------------------|-----------------------------------|----------------------|-----------------------------|
| Ravenswood | | | | | | | |
| 34-20 24TH ST | 01D | 11/26/2010 | 1/22/2015 | | 26 | 1522 | |
| 34-20 24TH ST | 02A | 10/21/2013 | 1/22/2015 | | 26 | 477 | |
| 34-20 24TH ST | 04F | 7/19/2013 | 1/22/2015 | | 26 | 569 | |
| 34-50 24TH ST | 04B | 5/14/2013 | 10/1/2014 | | 137 | 634 | \$1,587 |
| 34-50 24TH ST | 05H | 8/10/2012 | 10/1/2014 | 12/1/2014 | 60 | 831 | \$445 |
| 21-15 35TH AVE | 01A | 2/7/2013 | 10/29/2014 | 10/27/2014 | | 620 | |
| 21-15 35TH AVE | 05A | 6/29/2013 | 10/29/2014 | 11/25/2014 | 26 | 506 | |
| 21-25 35TH AVE | 04B | 4/2/2013 | 10/28/2014 | | 110 | 676 | \$1,187 |
| 21-25 35TH AVE | 06E | 5/22/2012 | 10/28/2014 | 12/5/2014 | 37 | 913 | \$104 |
| 21-09 35TH AVE | 01D | 9/27/2013 | 10/28/2014 | 1/12/2015 | 74 | 465 | \$653 |
| 35-21 21ST ST | 03C | 2/1/2013 | 7/22/2014 | | 206 | 737 | \$2,611 |
| 21-40 35TH AVE | 01A | 3/18/2013 | 9/9/2014 | | 159 | 690 | \$1,914 |
| 21-40 35TH AVE | 04D | 9/24/2013 | 9/9/2014 | | 159 | 504 | \$1,914 |
| 21-40 35TH AVE | 06D | 12/6/2012 | 9/9/2014 | | 159 | 792 | \$1,914 |
| 35-06 24TH ST | 03D | 2/7/2013 | 9/9/2014 | 1/23/2015 | 134 | 706 | \$1,543 |
| 35-06 24TH ST | 05H | 4/2/2013 | 9/9/2014 | | 159 | 676 | \$1,914 |
| 35-06 24TH ST | 06C | 4/1/2014 | 9/9/2014 | 1/14/2015 | 125 | 283 | \$1,409 |
| 21-30 35TH AVE | 06E | | 9/9/2014 | 1/13/2011 | | -- | |
| 35-20 24TH ST | 01G | 8/17/2012 | 9/10/2014 | | 158 | 901 | \$1,899 |
| 35-20 24TH ST | 03D | 9/5/2013 | 9/10/2014 | | 158 | 523 | \$1,899 |
| 35-20 24TH ST | 04G | 5/1/2013 | 9/10/2014 | 11/7/2014 | 57 | 546 | \$401 |
| 35-52 24TH ST | 01C | 3/23/2013 | 5/30/2014 | 1/6/2015 | 216 | 643 | \$2,759 |
| 35-34 21ST ST | 04F | 10/29/2013 | 3/14/2014 | 12/18/2014 | 274 | 409 | \$3,619 |
| 35-34 21ST ST | 05F | 3/15/2013 | 3/14/2014 | 12/8/2014 | 264 | 623 | \$3,471 |
| 35-50 21ST ST | 02C | 10/4/2012 | 3/14/2014 | | 334 | 854 | \$4,509 |
| 35-50 21ST ST | 04F | 9/1/2012 | 3/14/2014 | | 334 | 887 | \$4,509 |
| 14-01 36TH AVE | 01D | 5/23/2012 | 4/21/2014 | | 297 | 985 | \$3,961 |
| 14-01 36TH AVE | 03A | 2/15/2014 | 4/21/2014 | 12/31/2014 | 250 | 316 | \$3,263 |
| 14-01 36TH AVE | 06C | 11/13/2013 | 4/21/2014 | | 297 | 455 | \$3,961 |
| 35-37 12TH ST | 05F | 9/6/2012 | 4/22/2014 | | 296 | 882 | \$3,946 |
| 35-37 12TH ST | 05G | 10/19/2013 | 4/22/2014 | 11/18/2014 | 206 | 389 | \$2,611 |
| 35-53 12TH ST | 01D | 3/22/2013 | 4/22/2014 | | 296 | 686 | \$3,946 |
| 35-53 12TH ST | 03H | 3/18/2013 | 4/22/2014 | | 296 | 690 | \$3,946 |
| 35-53 12TH ST | 05B | 3/12/2013 | 4/22/2014 | | 296 | 696 | \$3,946 |
| 35-53 12TH ST | 06H | 12/13/2013 | 4/22/2014 | | 296 | 425 | \$3,946 |
| 35-19 12TH ST | 04F | 9/1/2012 | 1/10/2014 | 11/28/2014 | 318 | 807 | \$4,272 |
| 35-19 12TH ST | 05G | 3/15/2013 | 1/10/2014 | 12/16/2014 | 336 | 631 | \$4,539 |
| 35-03 12TH ST | 01H | 8/10/2012 | 1/8/2014 | | 400 | 908 | \$5,488 |
| 35-03 12TH ST | 05G | 3/18/2013 | 1/8/2014 | 12/8/2014 | 330 | 620 | \$4,450 |
| 12-22 35TH AVE | 01G | 9/7/2013 | 1/10/2014 | 12/18/2014 | 338 | 461 | \$4,568 |
| 12-22 35TH AVE | 02C | 6/8/2012 | 1/10/2014 | | 398 | 970 | \$5,459 |

¹² The forgone rent was calculated based on the number of days an apartment was vacant (excluding a thirty-day grace period) multiplied by the daily rent of \$14.83 (NYCHA's reported average rent of \$445 divided by 30).

APPENDIX III

Page 2 of 2

| Address | Apt | Removed from Rent Roll | Elevator Returned to Service | Returned to Rent Roll | Days Vacant (after Ret. Of Elev.) | Days Vacant in Total | Forgone Rent |
|--------------------------|-----|------------------------|------------------------------|-----------------------|-----------------------------------|----------------------|------------------|
| 12-22 35TH AVE | 06E | 12/6/2013 | 1/10/2014 | 1/23/2015 | 373 | 407 | \$5,088 |
| 12-50 35TH AVE | 06E | 10/11/2013 | 2/19/2014 | | 359 | 487 | \$4,880 |
| 35-06 21ST ST | 02C | 12/2/2013 | 2/21/2014 | 12/18/2014 | 297 | 376 | \$3,961 |
| 35-06 21ST ST | 02F | 9/21/2012 | 2/21/2014 | | 357 | 867 | \$4,851 |
| 35-06 21ST ST | 03F | 2/7/2013 | 2/21/2014 | | 357 | 731 | \$4,851 |
| 35-06 21ST ST | 04F | 6/5/2012 | 2/21/2014 | 12/26/2014 | 305 | 921 | \$4,079 |
| 35-06 21ST ST | 05D | 11/14/2013 | 2/21/2014 | | 357 | 454 | \$4,851 |
| 34-55 12TH ST | 02G | 8/31/2013 | 9/24/2013 | 1/28/2015 | 484 | 508 | \$6,734 |
| Ravenswood Total: | | | | | | | \$141,858 |
| <u>Wagner</u> | | | | | | | |
| 2360 1ST AVE | 06B | 10/4/2012 | 4/3/2013 | 10/21/2014 | 558 | 737 | \$7,832 |
| 2360 1ST AVE | 13D | 5/30/2012 | 4/3/2013 | 10/14/2014 | 551 | 854 | \$7,728 |
| 2395 1ST AVE | 07B | 8/13/2012 | 10/9/2012 | 11/26/2014 | 767 | 823 | \$10,932 |
| 2400 2ND AVE | 16H | 7/29/2011 | 7/16/2012 | 12/2/2014 | 856 | 1203 | \$12,252 |
| 350 EAST 124TH ST | 02F | 7/10/2012 | 8/21/2012 | 11/3/2014 | 792 | 833 | \$11,303 |
| 350 EAST 124TH ST | 13F | 11/1/2012 | 8/21/2012 | 11/3/2014 | 792 | 722 | \$11,303 |
| 80 PALADINO AVE | 01E | 9/12/2013 | 11/20/2013 | | 443 | 511 | \$6,126 |
| 80 PALADINO AVE | 02H | 5/15/2012 | 11/20/2013 | 10/22/2014 | 332 | 877 | \$4,479 |
| 80 PALADINO AVE | 04D | 1/25/2012 | 11/20/2013 | 12/10/2014 | 380 | 1035 | \$5,192 |
| Wagner Total: | | | | | | | \$77,147 |



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CHAIR & CHIEF EXECUTIVE OFFICER

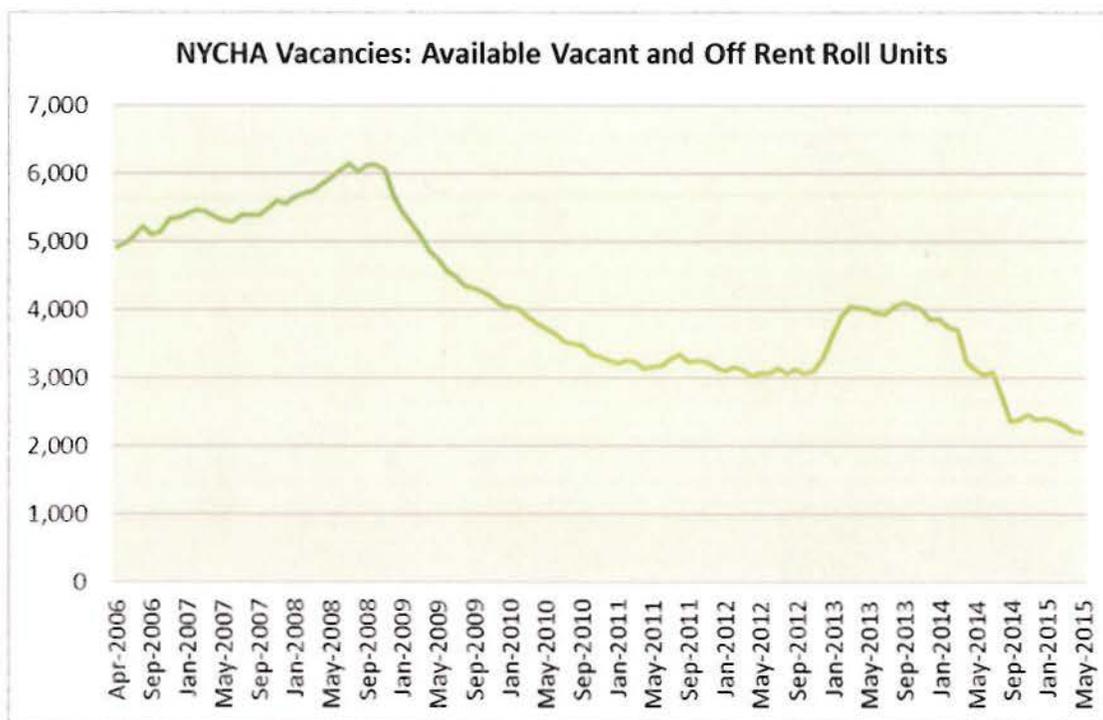
June 16, 2015

Marjorie Landa
Deputy Comptroller for Audit
The City of New York
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Audit Report on Efforts by the New York City Housing Authority's Management of Vacant Apartments

Dear Ms. Landa:

We write in response to the New York City Comptroller audit of NYCHA's management of vacant apartments. We thank you for your recommendations and are always interested in practical solutions to the issues faced in managing our portfolio of vacant apartments. As you state in the audit, our vacancy rate is one percent (1%), a very small fraction of our portfolio. Since 2008 NYCHA has successfully reduced the total number of vacant units by almost 65%, from over 6,100 to less than 2,200, 383 of which are currently characterized as vacant, but are off-line for non-residential use. Since the audit period ended (September 19, 2014) we have reduced the number of off the rent roll units from 1366 to 894 (June 5, 2015), a reduction of 472 units, resulting in a 35% decrease.



We would like these numbers to be even lower, but our biggest challenge is a lack of resources. NYCHA has nearly \$17 billion in unmet capital needs, in contrast to an actual annual capital budget of less than \$300 million, and a growing operating deficit. Many apartments that have remained off the rent roll for extended periods of time simply lack the funding for renovation that would return them to a habitable state.

Below we note two areas where the findings are misleading:

Vacant units do not mean loss of subsidy/income

As a result of our extremely low vacancy rate, long term vacancies do not result in loss of subsidy. HUD provides NYCHA with subsidy to compensate for lost rental income for units vacant for modernization, major repairs, or turnover as long as our vacancy rate remains below 3%. Additionally, many of the apartments off-line for non-residential use qualify for subsidies as special use units.

Turnover rate

The Comptroller's Office auditors tested the turnover rate using the developments with the highest number of vacancies. This biased the results as the turnaround time directly correlates with the vacancy rate. In developments with higher vacancies the staff is more challenged, both in providing the labor to address all the physical issues in the units, and the issues related to finding, showing and renting the unit. Consequently at these challenged developments it takes longer to re-occupy apartments.

As a result of this skewed sample, the auditor's found an average vacancy period of 116 days, even though NYCHA's actual average vacancy for apartment turnovers is 57 days, less than half the average number of days reported based on sampling only the seven (7) developments with the highest vacancies.

AUDIT RECOMMENDATIONS

Comptroller
Recommendation
#1

- 1. NYCHA should improve its procedures and oversight related to the coordination and completion of repairs and major modernizations so that apartments can be promptly rented once the work is complete.**

We are constantly looking for ways to improve our procedures and oversight; however, the issue of returning units to the rent roll efficiently is driven almost entirely by our lack of sufficient resources. Hopefully increased capital work, like the roof replacement to be funded by the recently announced \$300M commitment by the Mayor, will help reduce the amount of repair work at developments and thus free up staff for the repairs required to rent the units.

Comptroller
Recommendation
#4

- 2. NYCHA should either ensure that tenants who are temporarily moved due to elevator rehabilitation move back to their original apartments timely so the temporary apartments can be rented to other tenants or promptly rent out the relocated tenants' original apartments.**

Elevator projects create a number of logistical challenges for the Authority. Elevator projects often affect multiple buildings within a development and may take years to complete. As elevator work is done NYCHA is required to ensure that individuals with mobility challenges have access to units that are either serviced by working elevators or are on the ground floor. In order to make this accommodation, NYCHA often needs to keep a number of units vacant. NYCHA will continue our efforts to improve planning so that we minimize the time apartments remain vacant.

Comptroller Recommendation #5 **3. NYCHA should make greater efforts to ensure that all developments turn over vacant apartments in a timely manner.**

Even with a record 1 percent vacancy, we are always working to improve our efforts to turnover our apartments more quickly; however, for as long as we have insufficient capital funding to address our buildings' needs, we will continue to balance the needs of in-place residents with our desire to bring more units on-line. The staff that prepares and repairs vacant units is the same as the staff needed to provide residents with the repairs they need.

Comptroller Recommendation #6 **4. NYCHA should institute a policy and protocols requiring periodic monitoring of vacant apartments to help ensure the apartments are secure and are not further damaged.**

We agree with this recommendation. We will institute regular inspections by property management of vacant and off the rent roll apartments to ensure that they remain locked and have their windows secured, to prevent damage from unlawful entry. NYCHA will implement a plan requiring monitoring of at risk units at specified intervals by the end of this year.

Comptroller Recommendation #8 **5. NYCHA should maintain up-to-date and accurate records on agencies and private organizations' use of apartments.**

Over the next 12 months NYCHA will develop an accurate record for all non-resident apartment uses, which will include details on the occupant organization, the permitted use of the space and the status of underlying lease or license agreements.

Comptroller Recommendation #2 **6. NYCHA should review its allocation and oversight of its resources and re-allocate resources as necessary to ensure that repairs and major modernizations of apartments can be accomplished quickly.**

As part of the 10-year roadmap just released by NYCHA called NextGeneration NYCHA, we are refining our capital planning strategy to maximize the benefits to our residents, especially as we are not projected to be able to fulfill all our capital needs. We will continue to make our best effort to maximize the number of units available in a timely manner, but will need to continue to balance that goal with our need to provide services to our current residents.

Comptroller Recommendation #3 **7. NYCHA should ensure that repairs done under various contracts are completed adequately and timely so that the need for additional repairs is avoided.**

NYCHA currently uses best practices in construction management to ensure that construction projects are delivered effectively, efficiently, on schedule and within budget. Major capital improvement projects all have construction phase durations that are determined by the same NYCHA engineers who prepared the designs and those durations are based on the scope of work. These contract durations are included in contract documents that are competitively bid to ensure that the work is performed according to plan. These engineers also provide all of the standard specifications that need to be complied with on the project. Construction oversight is also provided on ALL NYCHA projects throughout construction phase to ensure that the work is completed according to contract specifications, using quality workmanship and within the schedule established in the contract. This approach is common in most agencies responsible for delivering capital improvement projects.

Comptroller Recommendation #7 **8. For off-roll apartments that have been combined with other apartments or are being used for non-dwelling purposes, NYCHA should change their occupancy status from vacant to reflect their current status.**

HUD requires housing authorities to track *each unit in the initial portfolio* with regard to its inventory and occupancy status unless the authority has disposed of the property. In order to track each initial unit NYCHA uses its Tenant Data System, and when two units are combined, one unit ("primary") remains on the rent roll regardless of occupancy status and the other unit ("secondary") is always off

rent roll. When a combined apartment becomes unoccupied, the primary unit will appear on the on rent roll and Vacant report, the secondary unit remains off rent roll. Based on describe protocol above, NYCHA is always aware of the occupancy status of combined apartments.

Comptroller
Recommendation
#9

9. NYCHA should review the status of vacant apartments used or previously used for non-residential purposes, especially those used for storage, and determine whether they should be returned to residential use or continue to be rented to private organizations.

As of March 2015, NYCHA has completed a review of every apartment used or previously used for non-residential purposes. Where appropriate and when funds for capital work are available, NYCHA will change the usage of the units to residential.

Comptroller
Recommendation
#10

10. NYCHA should ensure that it has current agreements for all apartments being used for non-residential purposes by private organizations. If an agreement calls for a private organization to provide non-cash compensation as full or partial payment for rent, the terms under which such compensation is to be provided should be clearly stated in the agreement.

We agree NYCHA will develop a uniform process to ensure that all non-residential apartment uses have valid agreements with clearly defined terms and conditions.

We thank you for bringing these audit findings to our attention.

Sincerely,

Michael Kelly
General Manager