

# The New York Times

September 20, 2007

## Subsidized Housing Plagued by Neglect and Corruption, Report Says

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The state housing agency's "deep and systemic failure" to properly oversee the rapidly dwindling supply of subsidized middle-income housing has led to the deterioration of the buildings, an increase in rents and a waste of taxpayer money, according to a report issued yesterday by the state inspector general, Kristine Hamann.

The Division of Housing and Community Renewal's mismanagement and lack of oversight at 80,000 apartments in 189 projects built under the state's middle-income Mitchell-Lama housing program also led to unqualified applicants getting subsidized apartments at the expense of legitimate tenants, the report said.

At the Towers of Bayridge, an 811-unit complex in Brooklyn, investigators found 59 instances between 2002 and 2004 in which the complex's landlord or agent had improperly put new applicants well ahead of other tenants on a waiting list for apartments.

At the huge Co-op City complex in the Bronx, investigators discovered that 40 of 47 contracts executed between 2002 and 2006 failed to comply with Mitchell-Lama rules. A former president of the cooperative was charged in April with taking \$100,000 in bribes from a painting contractor who was awarded \$3.5 million in contracts.

The inspector general also raised concerns that the state housing agency does not have adequate controls in place to guard against potential abuses or conflicts of interest when employees of the Division of Housing and Community Renewal live in Mitchell-Lama complexes. The report found that 10 of 30 randomly sampled agency employees responsible for supervising Mitchell-Lama complexes in New York also lived in them. One employee was in charge of reviewing applications at a Mitchell-Lama complex in which she lived.

More important, records showed that agency field staff, who are the primary contacts between the agency and the landlords, had failed to conduct all of the required

inspections at more than half of the housing developments in 2005. In addition, half of the inspections conducted during the 2005-6 heating season did not include the required examination of the heating system.

“Our report shows a systemic failure throughout every aspect of D.H.C.R.’s oversight of the Mitchell-Lama program,” Ms. Hamann said. “There was a complete abdication of their oversight role.”

Deborah VanAmerongen, the state housing commissioner, said she has been working with tenant advocates, developers and consultants to implement recommendations by the inspector general and to “address the need for review and reform throughout” the Division of Housing and Community Renewal. She also said there is a concerted effort to preserve the remaining Mitchell-Lama housing.

The investigation of the state’s Mitchell-Lama program covered the period from January 2003 to October 2006, when [George E. Pataki](#) was governor. The report comes at a time when advocates for low-, moderate- and middle-income housing, as well as many elected officials in New York City, have warned about the accelerating loss of subsidized apartments to a hot real estate market.

The Community Service Society, a nonprofit anti-poverty organization, estimated that between 1990 and the end of 2006, more than a quarter of New York City’s 119,785 subsidized apartments for low-, moderate- and middle-income families were lost, as owners converted the units to market-rate housing. Mitchell-Lama rental developments, the society said, were the hardest hit, having lost 26,253 units, or 41 percent of the apartments in the program 17 years ago.

The Mitchell-Lama program was established in 1955 to spur the development of affordable housing. In return for tax breaks and government-sponsored low-interest loans, developers agreed to charge below-market rates for rentals or co-op purchases. After 20 or 25 years, the owners were allowed to buy out of the housing program by paying off the low-interest mortgage. With rents soaring and vacancy rates very low in New York City, many landlords pulled out to take advantage of a rising market.

At the highly desirable Westview complex on Roosevelt Island, investigators found a troubling proposal to convert the building to market-rate condominiums. The Division of Housing and Community Renewal granted a proposed buyer a waiver in 2004 to manage the complex. By August 2006, 31 apartments in the complex had been vacant for about a year, despite a waiting list of 1,000 and a policy that “there should be no vacancies in subsidized housing in New York.”

It appears that the operator was warehousing the vacant apartments in anticipation of a windfall from their sale as condominiums. Nevertheless, the report said, an agency inspector “termed the complex’s inflated vacancy rate ‘satisfactory.’ ” The sale fell through in March 2006.

Amy Chan, the Mitchell-Lama organizer for Tenants & Neighbors, a citywide tenant organization, said she was not surprised by the conclusions of the inspector general’s report. “Tenant leaders and tenants have been voicing concerns about mismanagement and corruption for some time,” she said. “They will be happy to see that the report legitimates their experience.”

She gave Ms. VanAmerongen high marks for trying to deal with the problems she inherited.