AUDIT REPORT

CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Timeliness of the Renovation of Vacant Apartments by the New York City Housing Authority

ME06-055A

July 13, 2006

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office has audited whether the New York City Housing Authority (NYCHA) had adequate controls to minimize the length of time that apartments were held vacant for capital renovation purposes.

NYCHA's goal is to provide decent and affordable housing for low- and moderate-income City residents. It strives to maintain a safe and secure living environment for its public-housing residents by rehabilitating and modernizing its buildings and units. We audit City agencies to ensure that such efforts are conducted in an efficient and timely manner.

The results of our audit, which are presented in this report, 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.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@Comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

William C. Thompson, Jr.

WCT/ec

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Table of Contents

AUDIT REPORT IN BRIEF 1

Audit Findings and Conclusions 1
Audit Recommendations 2
Agency Response 2

INTRODUCTION 3

Background 3
Objective 4
Scope and Methodology 4
Discussion of Audit Results 6

FINDINGS AND RECOMMENDATIONS 7

NYCHA Lacked Overall Time Budgets for Renovating Apartments 7
A Large Number of NYCHA Apartments Are Vacant for Extensive Periods 9
Developments at Which Construction Not Started 12
Developments at Which Construction Started 13
NYCHA Could Have Gained Additional Rental Income If Amount of Time that Apartments Were Kept Vacant Was Reduced 14
Recommendations 15

ADDENDUM NYCHA Response

The City of New York
Office of the Comptroller
Bureau of Management Audit

Audit Report on the Timeliness of the Renovation of Vacant Apartments by the New York City Housing Authority

ME06-055A

AUDIT REPORT IN BRIEF

This report determined whether the New York City Housing Authority (NYCHA) had adequate controls to minimize the length of time that apartments were held vacant for capital renovation purposes. NYCHA's goal is to provide decent and affordable housing for low- and moderate-income City residents. It strives to maintain a safe and secure living environment for its public-housing residents by rehabilitating and modernizing its buildings and units. To facilitate renovations and for other purposes, NYCHA policy provides for the temporary removal of apartments from the rent roll. As of October 13, 2005, NYCHA had 3,552 units temporarily off the rent roll—approximately two percent of all NYCHA-managed apartments. Of these, 3,073 (87%) were off the rent roll for capital renovations.

Audit Findings and Conclusions

The audit revealed that during the period reviewed, NYCHA generally did not have adequate controls in place to minimize the length of time that apartments were held vacant for capital renovation purposes. NYCHA did not have overall time budgets for completing renovations that addressed the need to minimize the amount of time apartments were kept off the rent roll. As a result, apartments remained vacant for longer periods than necessary. Our review of vacant apartments at a sample of six developments undergoing large-scale capital renovations found that as of October 13, 2005, the 2,107 units that were vacant for renovation purposes had been off the rent roll for an average of about 40 months. The implementation of overall time budgets would have helped ensure that residents were not relocated for periods longer than necessary and would have helped make apartments available in a more timely manner for applicants on waiting lists for public housing. In addition, minimizing the amount of time that apartments were off the rent roll would have resulted in increased revenues due to additional rental income for NYCHA. During the course of this audit, NYCHA officials outlined certain initiatives that they stated the agency has implemented to facilitate better planning and coordination of its capital projects.

Audit Recommendations

The audit recommended that NYCHA:

- Establish time budgets or goals for the completion of its capital renovation projects. These time budgets should apply to every stage of the process, including the design, contract, tenant-relocation, and construction stages.

- Designate a management entity responsible for monitoring the entire process of tenant relocation and building renovation to ensure that established time budgets or goals are followed as much as possible.

- Evaluate its project-cost-estimation practices and, if necessary, implement additional controls to ensure that cost estimates of capital renovation projects adequately reflect the scope and quality of work to be performed.

- Coordinate the removal of apartments from the rent roll and the relocation of tenants with the established time budgets for capital renovation projects so that the time that apartments are kept vacant and off the rent rolls is minimized.

Agency Response

In its written response to our draft report, NYCHA generally agreed with the audit's recommendations.

INTRODUCTION

Background

The goal of the New York City Housing Authority is to provide decent and affordable housing for low- and moderate-income City residents. It strives to maintain a safe and secure living environment for its public-housing residents by rehabilitating and modernizing its buildings and units. NYCHA currently manages and maintains about 345 housing developments in the five boroughs, with more than 181,000 apartment units for nearly 420,000 residents. As of February 28, 2006, there were 135,875 families on the waiting list for conventional public housing.

To facilitate renovations and for other purposes, NYCHA policy provides for the temporary removal of apartments from the rent roll. As of October 13, 2005, NYCHA had 3,552 units temporarily off the rent roll—approximately two percent of all NYCHA-managed apartments. Of these, 3,073 (87%) were off the rent roll for capital renovations.

NYCHA policy also provides for the permanent removal of apartments from the rent roll when the authority no longer owns or operates the units, plans to dispose of them, or considers them uninhabitable. As of February 4, 2006, NYCHA had 2,178 apartments permanently off the rent roll for these reasons.

The NYCHA Capital Projects and Development (CPD) unit is responsible for planning and implementing all capital budget projects. CPD was reorganized in March 2004. Prior to March 2004, NYCHA had four departments that handled capital projects: the Construction Department, the Contract Administration Department, the Design and Capital Improvement Department, and the Technical Services Department. Currently, CPD has two central units—Capital Projects Administration and the Office of Design—that provide services for six technical program units. Capital Projects Administration is responsible for providing administrative and technical support on capital budget projects, as well as for procuring architectural, engineering, and construction services. The Office of Design provides in-house architectural and engineering services to CPD.

CPD periodically conducts an extensive survey of all of its developments to identify and prioritize the location and scope of its capital projects. Once capital projects have been selected, the Office of Design conducts architectural and engineering analyses of the projects, develops design plans, makes initial cost estimates, and prepares contract documents. The Capital Projects Administration solicits and evaluates bids and awards construction-management contracts. A project administrator from one of the six CPD technical program units, such as Building Interiors, Building Exteriors, and Building Systems, oversees each construction-management contractor.

Once a capital project is identified, CPD works in conjunction with the NYCHA Operations unit (Operations) to initiate the tenant-relocation process. Operations' Relocation Assistance Unit (RAU) is responsible for developing, implementing, and monitoring tenant

relocation plans; addressing resident issues and concerns during capital project renovations; and helping tenants find alternative housing. Residents are given the option of relocating to other apartments within their current development, transferring to another NYCHA development, or moving out of public housing by accepting Section 8 vouchers, which provide rent subsidies to eligible low-income families for private housing. Other Operations units are also involved in renovation-related activities. The Technical Services Department handles certain types of renovation projects at NYCHA developments, such as those involving lead-based paint and asbestos abatement and elevator repairs and rehabilitation. The Procurement Services and Contract Administration provide procurement and contract services for the Operations unit, including the Technical Services Department.

NYCHA's capital budget for Fiscal Year 2006 is $692 million. In December 2005, NYCHA, excluding the Section 8 program, projected its operating revenue for Fiscal Year 2006 to be $1.693 billion and its operating expenses to be $1.875 billion, leading to a deficit of about $182 million.

Objective

The objective of this audit was to determine whether NYCHA has adequate controls to minimize the length of time that apartments are held vacant for capital renovation purposes.

Scope and Methodology

The period covered by this audit was June 1990 through December 2005.

To gain an understanding of NYCHA policies, procedures, and practices concerning the renovation and leasing of vacant apartments, officials from the Operations and CPD units were interviewed. We also reviewed policies and procedures relating to the renovation of apartments, including procedures for taking apartments off the rent roll. Furthermore, walk-throughs were conducted at the six developments that had the highest number of vacant units related to major capital projects.[1] Those six developments include Walt Whitman Houses/Raymond V. Ingersoll (Whitman/Ingersoll) Houses, Vladeck Houses, Phillip A. Randolph (Randolph) Houses, Ocean Bay Apartments, James Weldon Johnson (Johnson) Houses, and Marlboro Houses, which had a total of 2,107 units vacant for renovation purposes as of October 13, 2005. Our walk-throughs and visits to sampled developments were conducted between September 19, 2005 and March 28, 2006.

To determine the lengths of time and reasons that apartments were vacant, we obtained a list of apartments that were off the rent roll as of October 13, 2005. The list was generated by the NYCHA Project Information Management System (PIMS), which identified the date that

[1] Of the 345 NYCHA developments, 144 had capital-renovation-related vacancies as of October 13, 2005. There were a total of 3,073 such vacancies. We reviewed a total of 2,107 renovation vacancies at the six developments with the most vacancies of this kind. The remaining 138 developments had a total of 966 renovation vacancies, or an average of seven vacancies per development.

each unit became vacant and the reason it was vacant. The average lengths of time that apartments were vacant were calculated.

As part of the review of the data reliability of PIMS, we determined whether apartments listed as vacant on PIMS were actually vacant. A random sample of 60 apartments (10 apartments at each of the six sampled developments) was selected from a February 4, 2006, PIMS list of 2,072 apartments that were vacant for renovation purposes at the sampled developments. All 60 apartments were visited to determine whether they were occupied. We performed a similar test for a sample of 29 apartments that were off the rent roll and being used for non-dwelling purposes at three of the six developments. For those apartments, we determined whether the units were being used for the purposes indicated in PIMS.

To obtain an understanding of NYCHA procedures for relocating residents due to renovation, relocation-planning documents were reviewed that outlined RAU's plans to move residents affected by renovation work at each of the six sampled developments. A NYCHA work sheet containing dates that various relocation-related actions were taken by RAU at each of the sampled developments was also reviewed.

To determine whether NYCHA is working to minimize the length of time that apartments are kept vacant for capital renovation purposes, the resident-relocation and capital-project planning and implementation processes were tracked at the six sampled developments. We calculated the time elapsed from the date that the first apartments were removed from the rent roll in anticipation of capital-project implementation to the date that construction started. We also determined the dates that CPD completed various planning and procurement-related activities, including the dates that the design plans were approved, that the construction bids were publicly solicited, that the construction contracts were awarded, that tenant relocations were completed, and that construction began. We asked NYCHA officials to provide information about their use of time budgets for completing these capital projects.

NYCHA procedures permit the permanent removal of vacant apartments from the rent roll when the authority no longer owns or operates the units, plans to dispose of them, or considers them uninhabitable. We obtained a PIMS list of those units as of February 4, 2006. NYCHA already has disposed of or plans to dispose of 2,152 of the 2,178 apartments on this list to private entities, to be converted to affordable housing. According to NYCHA, the remaining 26 units cannot be used or rehabilitated. This audit only focused on those apartments that were off the rent roll but continued to be owned and operated by NYCHA as residential units.

The results of the above tests, while not statistically projected to their respective populations, provide a reasonable basis to assess whether NYCHA has adequate controls to minimize the length of time that apartments are held vacant for capital renovation purposes.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters 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 on May 9, 2006, and was discussed at an exit conference held on May 24, 2006. On June 1, 2006, we submitted a draft report to NYCHA officials with a request for comments. We received a written response from NYCHA officials on June 15, 2006. In its response, NYCHA generally agreed with the audit's recommendations.

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

FINDINGS AND RECOMMENDATIONS

Our audit revealed that during the period reviewed, NYCHA generally did not have adequate controls in place to minimize the length of time that apartments were held vacant for capital renovation purposes. NYCHA did not have overall time budgets for completing renovations that addressed the need to minimize the time apartments were kept off the rent roll. As a result, apartments remained vacant for longer periods than necessary. Our review of vacant apartments at a sample of six developments undergoing large-scale capital renovations found that as of October 13, 2005, the 2,107 units that were vacant for renovation purposes had been off the rent roll for an average of about 40 months. Furthermore, 571 (27%) of the units had been off the rent roll for more than 60 months (5 years). The implementation of overall time budgets would help to ensure that residents were not relocated for periods longer than necessary and would help to make apartments available in a more timely manner for applicants on waiting lists for public housing. In addition, minimizing the amount of time that apartments were off the rent roll would have resulted in increased revenues due to additional rental income for NYCHA. During the course of this audit, NYCHA officials outlined certain initiatives that they stated the agency has implemented to facilitate better planning and coordination of its capital projects.

NYCHA Lacked Overall Time Budgets for Renovating Apartments

Although some NYCHA units had schedules relating to their specific capital project efforts, the agency had no overall time budgets for planning and implementing capital project renovations that address the need to minimize the time apartments are kept off the rent roll.

Time budgets are a useful management tool because they facilitate the measurement of operational efficiency. Accountability to overall time budgets or goals for each capital renovation project would help create an increased sense of urgency within each operational unit for completing projects in a more timely manner. Overall time budgets would also facilitate management's tracking of renovation-project timeliness and allow management to coordinate the removal of apartments from the rent roll with project time targets so that the amount of time that apartments are kept vacant is minimized.

The Operations unit oversees development management and the leasing of apartments. According to the Deputy General Manager for Capital Projects, after CPD informs Operations that capital work is planned that will require apartments to be vacated, apartments are removed from the rent roll as they become vacant. According to NYCHA, this is done in part to provide "relocation resource units," which are units that tenants can move into while work is being done on their apartments. Many times these units will themselves be renovated during a later phase of the project, after the tenants move back into apartments that were renovated during an earlier phase. Generally, at the point that apartments are first removed from the rent roll, there are no specific plans in place regarding (1) the work to be done, (2) when the work will commence, or (3) the amount of time that the project will take. Later, as funding sources become available and specific plans begin to be developed, Operations' RAU drafts a relocation plan that details the course of action for moving the remaining residents. RAU sends notices to those tenants

informing them of the planned capital work and the need for them to relocate. It also conducts meetings with residents and tenant associations to inform them of relocation plans. RAU helps tenants find alternative housing arrangements and assures the residents that they will be able to return to the rehabilitated apartments once renovation is completed. As a last resort, NYCHA can evict a tenant who refuses to relocate so that renovation work can begin.

NYCHA procedures outline the criteria for temporarily removing apartments from the rent roll, as well as controls for monitoring these apartments. Apartments may be temporarily removed for three major reasons: 1) structural correction or modification, 2) use as a relocation resource, and 3) non-dwelling use. Structural correction or modification relates to vacant apartments requiring major renovations that take 60 days or more to complete. Relocation resource applies when a resident is relocated to another apartment temporarily while the original apartment is being repaired or modified. Non-dwelling use applies to apartments that are needed for such non-residential purposes as police surveillance, resident association use, NYCHA office space, community programs, or special initiatives. Under NYCHA procedures, apartments held for non-dwelling use may remain off the rent roll for long periods (i.e., multiple years).

NYCHA officials stated that they did not develop an overall time budget encompassing all areas affected, including the vacating of apartments and the relocation of tenants. As a result, there was no formal coordination of the removal of apartments from the rent roll and relocation of tenants with the estimated time budgets for the rehabilitation projects. As stated previously, soon after NYCHA selects a development for a major renovation, it removes apartments from the rent roll as they become vacant, primarily to serve as relocation resource units. Officials prefer not to seek court orders to evict tenants; therefore, when planning capital work, they try to give tenants as much forewarning and as many housing options as possible so that they will move voluntarily. Without carefully planned time budgets for vacating apartments, however, apartments may be removed from the rent roll much sooner than is necessary and remain vacant for unnecessarily long periods.

During our review of capital project renovations at six sampled developments, we found some efforts by some of the CPD and Operations units to develop schedules for their own specific renovation-related responsibilities. However, we found no evidence of an overall time budget to track the work of those units to ensure, among other things, that the amount of time that apartments are kept vacant and off the rent roll is minimized.

During the course of this audit, NYCHA officials outlined certain initiatives that they stated the agency has implemented to facilitate better planning and coordination of its capital projects. NYCHA reorganized CPD in 2004 to provide for a more centralized management of capital projects. Also in 2004, NYCHA implemented a Construction Management/Build (CM/Build) Program. According to NYCHA, this program will provide for more efficiency in the administration of construction projects. Under CM/Build, NYCHA retains construction management firms to manage major capital projects and to select subcontractors. In addition, according to NYCHA officials, CPD now uses “Primavera,” which is a project management system that tracks key indicators of large-scale projects from initiation and design of capital work through procurement and construction.

Furthermore, according to NYCHA officials, in early 2005 the authority began a program to track all the units that have been taken off the rent roll to facilitate major renovations. Officials from Operations' Division of Housing Applications compile a list of all apartments that are off the rent roll for project renovations and meet with both borough managers and CPD officials on a quarterly basis to discuss the list. The purpose of these meetings is to review every apartment that is off the rent roll in an attempt to resolve any issues that might be delaying renovations and the return of the vacant units to the rent roll. Officials stated that the quarterly reviews have contributed to a reduction of 1,116 apartments off the rent roll between January 2005 and April 2006.

A Large Number of NYCHA Apartments Are Vacant for Extensive Periods

A large number of NYCHA apartments were off the rent roll for extended periods due to capital project renovations. As of October 13, 2005, there were 2,107 units off the rent roll at the six developments selected for our review, representing 69 percent of the 3,073 units vacant for capital renovations. On average, the 2,107 units were vacant for more than three years.

Table I, below, shows the total number of units, the number of vacant units, the percentage of units that were vacant, and the average number of months the vacant units were off the rent roll at the six sampled developments.

Table I
Vacant Units at
Six Sampled Developments
As of October 13, 2005

DEVELOPMENT	Borough	Total Number of Units	Number of Vacant Units	Percentage of Units That Were Vacant	Average Length of Time Vacant (in Months)
Ocean Bay	Queens	1,812	251	14%	83
Randolph	Manhattan	450	292	65%	51
Vladeck	Manhattan	1,991	288	15%	64
Johnson	Manhattan	1,300	218	17%	37
Marlboro	Brooklyn	1,759	199	11%	30
Whitman/Ingersoll	Brooklyn	3,476	859	25%	19
Totals		**11,688**	**2,107**	**18%**	**40***

* This is a weighted average of the length of time that all vacant apartments at these developments remained off the rent roll. The weighted average was calculated by dividing the total number of months these units were off the rent roll by the total number of vacant units.

To determine the lengths of time between the first removals of vacant apartments from the rent roll and the beginning of renovation work, we noted when, according to the October 13, 2005 PIMS list, vacant apartments were first removed from the rent roll and when, according to

NYCHA officials, construction started for the renovations. Actual construction had begun at only three of those six developments as of January 1, 2006—at Ocean Bay, Vladeck, and Malboro. As shown in Table II, below, with the exception of Vladeck, more than six years elapsed at the sampled developments between the date the first vacant apartment was removed from the rent roll for capital renovation purposes and the date the earliest tenant relocation effort occurred (typically, the distribution of notices to tenants or the holding of a meeting with tenants on the need to relocate).

Table II

Number of Vacant Units and Time Elapsed from Date First Units Were Taken Off the Rent Roll to Date of Earliest Relocation Activity

A	B	C	D	E	F	G
DEVELOPMENT	**Number of Vacant Units According To 10/13/05 PIMS List**	**Number Of Units Off the Rent Roll Prior to Date of Earliest Relocation Activity**	**Percentage of Units Off the Rent Roll Prior to Date of Earliest Relocation Activity**	**Date First Unit Was Taken Off the Rent Roll**	**Date of Earliest Relocation Activity**	**Time Elapsed From Date First Unit Was Taken Off the Rent Roll to Date of Earliest Relocation Activity (in Years) (Col. F - Col. E)**
Ocean Bay	251	97	39%	6/14/1990	5/1/1999	8.9
Randolph	292	154	53%	1/29/1995	6/27/2002	7.4
Vladeck	288	13	5%	5/18/1995	2/27/1997	1.8
Johnson	218	81	37%	7/1/1995	10/17/2002	7.3
Marlboro	199	52	26%	3/16/1996	10/23/2003	7.6
Whitman-Ingersoll	859	119	14%	4/15/1996	11/12/2002	6.6
Totals	2,107	516	24%			6.6

As shown in Table III, below, again with the exception of Vladeck, more than seven years elapsed at the developments between the date the first vacant apartment was removed from the rent roll for project renovation purposes and the date the project design was approved.

Table III
Time Elapsed from Date First Units Were Taken Off the Rent Roll
To Date Project Design Approved

A	B	C	D
DEVELOPMENT	**Date First Unit Was Taken Off The Rent Roll**	**Date Project Design Approved**	**Time Elapsed From Date First Unit Was Taken Off the Rent Roll to Date Project Design Approved (in Years) (Col. C – Col. B)**
Ocean Bay	6/14/1990	4/25/2000	9.9
Randolph	1/29/1995	7/1/2005	10.4
Vladeck	5/18/1995	3/13/1998	2.8
Johnson	7/1/1995	6/19/2003	8.0
Marlboro	3/16/1996	12/1/2003	7.7
Whitman-Ingersoll	4/15/1996	6/1/2005	9.1

Furthermore, with the exception of Vladeck, for which there was incomplete information, 4 to 30 months elapsed at the five remaining developments in our sample between the project design approval date and either the date construction started or, if construction had not yet started, to January 1, 2006. During this period the RFB must be issued, bids must be evaluated, contracts must be awarded, tenant relocations must be completed, and construction started.

The lengths of time for NYCHA to implement capital-project renovations after project designs were approved can be attributed, in part, to CPD project-cost-estimation efforts. Although NYCHA capital project officials cited a number of factors that hindered the design and contract processes at the sampled developments, one reason cited was that bids submitted often exceeded the funds earmarked for the projects. They said that for Randolph and Johnson, two of the three sampled developments at which construction had not started as of January 1, 2006, NYCHA had to "go back to the drawing board" and redesign the scope of work, request additional project funds, and reissue an RFB to potential contractors. Initial cost estimates proved to be too low, which led to NYCHA rejecting all of the bids received because they significantly exceeded anticipated costs. In addition, project administrators stated that the reorganization of CPD in 2004 delayed capital projects at Ocean Bay, Randolph, and Whitman/Ingersoll. Although early phases of the capital projects at Ocean Bay, Vladeck, and Marlboro have been completed, allowing some apartments to return to the rent roll at Ocean Bay and Vladeck, none of these capital-project renovations have been completed and all had renovation-related vacant apartments as of January 1, 2006.

> ***NYCHA Response*:** ". . . we believe your report contains some inaccuracies . . . For example, your report Tables II and III erroneously overstate the time elapsed for Ocean Bay by more than 3 years."

***Auditor Comment*:** The time periods from the date the first unit was taken off the rent roll at Ocean Bay to the date of the earliest relocation activity and to the date of project design approval, which are presented in Tables II and III, are correct. At the exit conference, NYCHA officials stated that July 31, 1993, not June 14, 1990, was the date that the first unit was taken off the rent roll for renovation purposes at Ocean Bay. While July 31, 1993 is the earliest rent roll removal date on the October 13, 2005 PIMS list provided by NYCHA for Ocean Bay, the list did not provide rent roll removal dates for 26 of the 251 vacant units. As a result, we asked Ocean Bay's Housing Manager to provide us with the remaining rent roll removal dates. The data provided by this official showed that June 14, 1990 was the date that the first unit was taken off the rent roll for renovation purposes at Ocean Bay.

As of January 1, 2006, construction had not started at three of the six sampled developments. Table IV, below, shows the construction start dates for the three developments.

Table IV
Construction Start Dates
As of January 1, 2006

Development	Construction Start Date
Ocean Bay	8/16/2000
Randolph	Not Started
Vladeck	3/10/1998
Johnson	Not Started
Marlboro	1/25/2005
Whitman/Ingersoll	Not Started

Developments at Which Construction Not Started

The CPD project administrator for Randolph Houses told us that there were extremely hazardous conditions at the development, which required that residents start to vacate the premises in September 2002. Relocation was completed in May 2004. At that point, NYCHA had no definitive plans in place on how to rehabilitate the apartments. Subsequently, CPD decided to completely refurbish all 36 buildings in the development. The subsequent scope of work called for development-wide improvements, including total apartment rehabilitation and major upgrades to the interiors and exteriors of buildings. However, in January 2006, NYCHA decided not to go forward with the planned renovation work at Randolph Houses. The bids received were substantially higher than budgeted and, as a result, NYCHA rejected all bids. It is in the process of re-evaluating its options, including scope reductions and other sources of potential financing, before making a decision on the work.

At Johnson Houses, nearly two years elapsed between the relocation start date and the date that proposals were publicly solicited. Moreover, the contract has still not been awarded. In October 2002, NYCHA first informed tenants at Johnson Houses of the need to relocate due to major renovations. The project administrator told us that the work was publicly bid twice in 2002, and both times the lowest bids were rejected. The first time, the lowest bid was $6 million higher than expected; the second time, the lowest bidder failed to meet performance standards and the next lowest bid was too high. According to the CPD project administrator for Johnson Houses, the unit contracted with a structural engineering company to do an extensive survey to determine the level of work to be completed at Johnson Houses. The survey, completed in early 2005, took nearly two years, primarily because the engineers had to gain access to every apartment. In August 2005, the bidding process was restarted, but the only bid received had to be rejected because the bid was much higher than anticipated.

At Whitman/Ingersoll Houses, there was a delay of nearly two years from the time that resident relocation began to the date that the designs were approved, and nearly another year before RFBs were submitted. The CPD project administrator for the project told us that the original designs had to be changed due to a lack of funds. The original designs called for the complete reconfiguration of many of the apartments, the elimination of all studio apartments, and the addition of two floors in the high-rise buildings. However, due to limited funding, NYCHA decided not to add additional floors. In addition, the project administrator cited the NYCHA reorganization as a reason for some of the delays.

Developments at Which Construction Started

Although construction work has started at Ocean Bay and Marlboro, project administrators at the developments have cited various reasons that have prevented their projects from proceeding on a timely basis. At Ocean Bay, the project administrator told us that the second phase of work was delayed at least two years due to reorganization of CPD and its implementation of a new contract-management process.[2] While Marlboro's project proceeded in a timely manner in comparison to the other five projects, it did have a three-month delay after the contract was awarded in starting the construction. The Marlboro project administrator told us that the delay resulted from all residents not having been relocated in a timely manner. At Vladeck, all apartment renovations were completed in December 2004. However, elevator renovations continued under a separate construction contract handled by Operations, not by CPD. Those elevator renovations have prevented a majority of the vacant apartments—199 of the 288 vacant units—from being returned to the rent roll.

* * *

Some of the time periods that apartments were held vacant for capital project purposes may have been unavoidable. However, NYCHA allowed extraordinary amounts of time to elapse between the dates vacated apartments were first removed from the rent roll for capital

[2] At Ocean Bay, all the designs were completed in December 2002, but the contract for the second phase of work was not bid until NYCHA retained a contract-management firm to bid and oversee the work. The contract was not awarded until February 2005.

project reasons and the dates project designs were approved—more than seven years for 5 of the 6 sampled developments. This suggests that NYCHA removed apartments from the rent roll well before it had a clear idea of how or when it planned to proceed with the projects. In addition, low project-cost estimations for the Randolph and Johnson projects led to rejections of all of the bids received because they significantly exceeded anticipated costs and the funds earmarked for the projects. This evidence suggests that NYCHA may need to improve its project-cost-estimation practices.

NYCHA should hold itself to reasonable time budgets or goals to ensure that the renovation and relocation process is not unjustifiably delayed. While some NYCHA units have schedules for their efforts on specific capital projects, NYCHA does not have overall time budgets for planning and implementing these projects. In addition, NYCHA has not assigned a management entity the responsibility to oversee the timeliness of the renovation and relocation activities of the relevant CPD and Operations units. Furthermore, although time budgets or goals can be flexible to adjust to unanticipated delays, such budgets or goals can provide management with a tool to track the performance of relevant CPD and Operations units and to incorporate an increased sense of urgency at each step of the renovation and relocation process. This approach could help ensure that the time period that apartments are kept off the rent roll is minimized.

NYCHA Could Have Gained Additional Rental Income If Amount of Time that Apartments Were Kept Vacant Was Reduced

NYCHA could have gained additional rental income at the sampled developments if it could have reduced the time that apartments were kept off the rent roll due to capital project renovations. NYCHA is currently facing budget deficits that have led the agency to propose raising rents and charging residents higher fees for some basic services. Additional rental income from minimizing the length of time apartments are held vacant for renovation purposes could help reduce the need for rental increases and higher fees.

As stated previously, there were 2,107 vacant units at the six sampled developments that were unoccupied an average of 39.7 months (a little longer than three years) as of October 13, 2005. If NYCHA had overall time budgets for its capital projects and coordinated the removal of apartments from the rent roll with those budgets, it would have been able to reduce the amount of time that these apartments were off the rent roll, thereby giving the authority an opportunity to collect additional revenues by renting the vacant units (or delaying the relocation of tenants in the affected units). Based on the average monthly rent over the past three fiscal years—approximately $300,[3] and excluding Randolph, at which, according to NYCHA, apartments were vacated due to extremely hazardous conditions, the additional rental income NYCHA would have collected had it been able to reduce the time apartments were off the rent roll by 5 to 20 percent would have been anywhere from $1,034,424 to $4,137,696, as of October 13, 2005. Our analysis is shown in Table V, below.

[3] Source: Mayor's Management Report, Fiscal Years 2003 through 2005.

Table V
Gain in Rental Income If Amount of Time Apartments
Were Off the Rent Roll Was Reduced by 5 to 20 Percent
(Based on Average Rent for Fiscal Years 2003 through 2005)

DEVELOPMENT	Number of Vacant Units	Average Length of Time Units Vacant (in Months)	Additional Rental Income* If Average Length of Time Apartments Are Vacant Is Reduced by		
			5%	10%	20%
Ocean Bay	251	82.8	$311,742	$623,484	$1,246,968
Vladeck	288	63.5	$274,320	$548,640	$1,097,280
Johnson	218	36.5	$119,355	$238,710	$477,420
Marlboro	199	29.5	$88,058	$176,115	$352,230
Whitman/Ingersoll	859	18.7	$240,950	$481,899	$963,798
Totals	**1,815**	**38****	**$1,034,424**	**$2,068,848**	**$4,137,696**

* Best case scenario: based on the assumption that all apartments returned to the rent roll are rented.
** This is a weighted average of the time that all vacant apartments at these developments remained off the rent roll. The weighted average was calculated by dividing the total number of months these units were off the rent roll by the total number of vacant units.

NYCHA officials stated that the agency realized some savings due to reduced utility and maintenance costs while these apartments were vacant. However, NYCHA did not provide us with any estimates of these savings.

Recommendations

NYCHA should:

1. Establish time budgets or goals for the completion of its capital renovation projects. These time budgets should apply to every stage of the process, including the design, contract, tenant-relocation, and construction stages.

***NYCHA Response*:** "NYCHA's units do have timelines that guide both the relocation and the construction phases. However, NYCHA will ensure that these timelines are fully communicated to all stakeholders. In that regard, in the last 18 months, NYCHA has implemented two initiatives that address your recommendation.

"First, NYCHA recently implemented a state-of-the-art project management system "Primavera" that will enhance and streamline its reporting capabilities, including on-line reporting from the field. The system allows us to schedule and track key construction work tasks from early initiation, to design, to procurement and then through key construction stages until the work is completed.

"In addition, in early 2005, NYCHA initiated a program to enhance its tracking of units that have been taken off the rent roll for major renovations. Staff from NYCHA's Department of Housing Applications compiles a list of all such apartments which is then discussed on a quarterly basis with Borough Managers as well as Capital Projects and Development officials. The purpose of these meetings is to review every apartment off the rent roll to resolve any issues that might be delaying renovations and the return of the vacant unit to the rent roll. As of April 2006, these quarterly reviews have contributed to the return of 1,116 apartments back to the rent rolls."

2. Designate a management entity responsible for monitoring the entire process of tenant relocation and building renovation to ensure that established time budgets or goals are followed as much as possible.

***NYCHA Response*:** "Currently, there are a number of key organizational units that are involved in, and held accountable for, their performance in effecting required relocation and planning and executing needed capital renovation in an economical and effective manner. Two such units are the previously-cited Department of Housing Applications and the Capital Projects and Development Division. In addition, NYCHA's executive management periodically meets to discuss the details of the renovation process.

"In response to your recommendation, we will create a single point, additional management entity to monitor the entire process."

3. Evaluate its project-cost-estimation practices and, if necessary, implement additional controls to ensure that cost estimates of capital renovation projects adequately reflect the scope and quality of work to be performed.

***NYCHA Response*:** "NYCHA utilizes the Construction Specifications Institute (CSI) Index, which follows standard construction practice in preparing estimates for bids, and allows for estimation of reasonable prices for construction services in line with other similar public and private entities. However, we will evaluate our cost estimating practices and revise them as necessary to ensure the accuracy of the estimates throughout the design phase and certainly before bidding out the project."

4. Coordinate the removal of apartments from the rent roll and the relocation of tenants with the established time budgets for capital renovation projects so that the time that apartments are kept vacant and off the rent rolls is minimized.

***NYCHA Response*:** "NYCHA is constantly striving to have apartments requiring renovation vacant for the minimum time available. In that regard, in 2004, the entire Capital Projects and Development staff was reorganized to enhance the timeliness of capital projects work. Additionally, NYCHA contacted with professional Construction Management/Build firms to oversee more than half of its construction work to increase both the quality and timeliness of its capital renovation work. Last year, NYCHA also engaged a nationally known design firm to annually conduct a capital work needs

assessment to ensure that our limited capital fund dollars are effectively spent. We also have implemented other changes such as the previously-cited quarterly meetings to continually monitor the time a unit is off the rent roll for renovation purposes.

"However, even with all these recent enhancements, as previously stated, the process of doing major renovation in apartments that require the temporary removal of existing families to a very limited number of suitable and available apartments remains a complex process that, unfortunately by its very nature, often is very time consuming. A key logistical issue that always must be addressed is where we house those residents who need temporary housing due to major renovation in their buildings. Although NYCHA actions in the last two years have significantly enhanced both the quality and the timeliness of the renovation process, we will continue to be receptive to implement changes recommended by others that from a cost, effectiveness, and resident fairness perspective will further improve the timeliness of the process."

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June 15, 2006

Mr. John Graham
Deputy Comptroller
Audits, Accountancy & Contracts
The City of New York Office of the Comptroller
1 Centre Street
New York, New York 10007

Re: Audit Report on the Timeliness of the Renovation of Vacant Apartments

Dear Mr. Graham:

Thank you for the opportunity to comment on your audit report regarding the New York City Housing Authority's (NYCHA) renovation of vacant apartments. NYCHA's extensive and successful efforts to economically and effectively maintain and preserve its aging housing stock while simultaneously treating the impacted residents fairly and with compassion is an important audit subject.

Although we believe your report contains some inaccuracies[1] as well as underestimates the complexity of the renovation process, we appreciate your insights. In that regard, it should be noted that NYCHA initiatives undertaken in the last two years have addressed, or will soon address, your audit recommendations.

Renovating our apartments is a highly complex process that requires dealing with many variables including (1) assessing where and how best to spend our limited capital construction funds to repair aged properties, many of which require extensive upgrading, (2) interacting fully with the affected residents and neighborhoods including fairly resolving elected officials' and residents' concerns, (3) obtaining satisfactory temporary housing for those residents displaced as a result of renovation, and (4) ensuring quality and cost effective construction work performed in a congested metropolitan environment. Also, and perhaps ironically, our success in achieving a .0079 vacancy rate of apartments available for occupancy significantly contributes to the complexity of the process since

[1] For example, your report Tables II and III erroneously overstate the time elapsed for Ocean Bay by more than 3 years. Also, your estimated lost NYCHA "revenue" is overstated since it does not account for NYCHA-paid maintenance and utility costs that are not incurred when the apartment is vacant.

there are only a very limited number of vacant apartments available to temporarily house relocated residents.

Many of NYCHA's 2,691 buildings are more than 40 years old and annually require hundreds of millions of dollars in major capital renovation spending. In the last 14 years, NYCHA has invested about $5.4 billion in such preservation. Unlike many housing authorities, implosion of buildings or use of the demolition ball is not an option NYCHA considers. Our mission has always been to make the investment needed to preserve our vital stock of low income public housing for future generations.

Prior to discussing your recommendations, it is important that the following points be emphasized.

Less Than 2 Percent of Apartments Are Vacant for Renovation
NYCHA is the largest housing authority in the nation. NYCHA's public housing represents 8.6 percent of all of the New York City's rental apartments, and is home to more than five percent of the city's population. As you reported, only **two percent** of our apartments are vacant; most of those apartments are undergoing capital renovation. That is a phenomenally low number particularly given the age of our 344 developments.

As of March 1, 2006, NYCHA had

- 14 developments that are at least 60 years old,
- 56 developments that are 50 to 59 years old,
- 76 developments that are 40 to 49 years old, and
- 90 developments that are 30 to 39 years old.

Therefore, over 42 percent of the developments are 40 or more years older, while more than 68 percent are at least 30 years old.

Buildings Require Major Renovation
The majority of apartments off the rent roll for renovation are undergoing comprehensive capital work necessary to preserve buildings for future generations. Again, as you reported, 3,073 or 87 percent of the total 3,552 units temporarily off the rent roll were off the rent roll for capital renovations. In some cases like Whitman and Ingersoll, two developments located in Brooklyn, NYCHA will spend more than $100 million in planned comprehensive improvements that will include (1) bringing elevator service to every floor, (2) reconfiguring apartments to allow appropriate square footage, (3) creating separate or upgraded kitchen space in every apartment and (4) upgrading the heating and electrical systems.

In many cases, these large-scale renovation projects will take numerous years to complete due to the extensiveness of the required work. Contributing to the timeliness issue is our need to adhere to highly prescribed contracting laws and regulations including a requirement of having the work bid separately by the trade (plumbing, electrical, mechanical and general construction) discipline. In addition, in the last few years, we

have been operating in a "hot" construction market which can influence the timeliness of work due to the unavailability of contractors willing to do the work.

Temporary Relocation of Displaced Residents Is Hampered by Available Vacancies
Unlike other housing authorities that have significant number of vacancies, as of March 2006, NYCHA's vacancy rate of apartments available for occupancy was **less than** 1 percent. In addition, the annual turnover of our apartments is less than four percent.

This almost full occupancy level significantly affects where NYCHA can temporarily relocate residents impacted by the renovation process. The very low number of vacant apartments is even more restrictive when one considers other essential variables such as a breakout of vacant apartments available for relocation by bedroom size and by location. For example, a family living in a three-bedroom apartment in one borough may be very reluctant to temporarily relocate to a three-bedroom apartment in another borough.

Respect for Residents
An underlying principle of NYCHA's capital renovation process is respect for the impacted residents. Many of our residents have lived in a NYCHA apartment for many years. Their apartment, their building, their development and their neighborhood is where they have gone to school, worked, sought medical care, worshipped and raised a family. Demanding a family to vacate their apartment, and perhaps their neighborhood, to meet our capital renovation timeline schedule, although certainly expedient, is not without human pain and cost.

In that regard, NYCHA consistently seeks residents' input through numerous meetings and written communication. Tenants that must relocate are given other subsidized housing options and payment of associated moving costs. However, even with those incentives and the knowledge that the capital work is needed, relocation may not occur as quickly as it appears on a manager's pre-established timeline. Unless the renovation addresses safety issues, tenants are rarely given "***you must move by a certain date ultimatum***".

Our responses to your recommendations follow.

Recommendation 1
Establish time budgets or goals for the completion of its capital renovation projects. These time budgets should apply to every stage of the process, including the design, contract, tenant-relocation, and construction stages.

NYCHA Response
NYCHA's units do have timelines that guide both the relocation and the construction phases. However, NYCHA will ensure that these timelines are fully communicated to all stakeholders. In that regard, in the last 18 months, NYCHA has implemented two initiatives that address your recommendation.

First, NYCHA recently implemented a state-of-the-art project management system "Primavera" that will enhance and streamline its reporting capabilities, including on-line reporting from the field. The system allows us to schedule and track key construction work tasks from early initiation, to design, to procurement and then through key construction stages until the work is completed.

In addition, in early 2005, NYCHA initiated a program to enhance its tracking of units that have been taken off the rent roll for major renovations. Staff from NYCHA's Department of Housing Applications compiles a list of all such apartments which is then discussed on a quarterly basis with Borough Managers as well as Capital Projects and Development officials. The purpose of these meetings is to review every apartment off the rent roll to resolve any issues that might be delaying renovations and the return of the vacant unit to the rent roll. As of April 2006, these quarterly reviews have contributed to the return of 1,116 apartments back to the rent rolls.

Recommendation 2
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NYCHA Response
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In response to your recommendation, we will create a single point, additional management entity to monitor the entire process.

Recommendation 3
Evaluate its project-cost-estimation practices and, if necessary, implement additional controls to ensure that cost estimates of capital renovation projects adequately reflect the scope and quality of work to be performed.

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Recommendation 4
Coordinate the removal of apartments from the rent roll and the relocation of tenants with the established time budgets for capital renovation projects so that the time that apartments are kept vacant and off the rent rolls is minimized.

NYCHA Response
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However, even with all these recent enhancements, as previously stated, the process of doing major renovation in apartments that require the temporary removal of existing families to a very limited number of suitable and available apartments remains a complex process that, unfortunately by its very nature, often is very time consuming. A key logistical issue that always must be addressed is where we house those residents who need temporary housing due to major renovation in their buildings. Although NYCHA actions in the last two years have significantly enhanced both the quality and the timeliness of the renovation process, we will continue to be receptive to implement changes recommended by others that from a cost, effectiveness, and resident fairness perspective will further improve the timeliness of the process.

*****

Again, thank you for the opportunity to comment on this draft report. We look forward to your continued assistance in ensuring that NYCHA maintains its status as the nation's premier housing authority.

If you have any questions, please contact Tom Bittman, Director, Audit, at 212-306-3433.

Sincerely,

Douglas Apple
General Manager

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