

# City of New York

## OFFICE OF THE COMPTROLLER

Scott M. Stringer  
COMPTROLLER



## AUDIT AND SPECIAL REPORTS

**Marjorie Landa**

Deputy Comptroller for Audit

Audit Report on the Development of  
City-Owned Vacant Lots by the New  
York City Department of Housing  
Preservation and Development

FM14-112A

February 8, 2016

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, NY 10007

SCOTT M. STRINGER  
COMPTROLLER

February 8, 2016

To the Residents of the City of New York:

My office has audited the New York City Department of Housing Preservation and Development (HPD) to identify City-owned vacant land that can be developed into affordable housing and determine whether HPD has established plans with realistic time schedules for transfer of property for development.

The audit found that the City owns over a thousand vacant lots that could be developed under existing urban renewal programs, but that many of these lots have been allowed to languish and remain undeveloped for up to 50 years or longer. While HPD contends that over the years it has disposed of most of the lots it has been responsible for, we found that as of September 18, 2015, HPD listed 1,131 vacant lots under its jurisdiction as suitable for development. Further, we found that although HPD solicits developers to build on these properties, it has not established plans with realistic time schedules to enable it to transfer City-owned vacant properties to developers in accordance with its plans. Finally, we identified an additional 340 City-owned vacant lots under the jurisdiction of other City agencies that could be considered to be used for residential construction.

In response to its findings, the audit recommends that HPD: 1) develop and propose a realistic time schedule for transferring City-owned lots to developers; 2) take into consideration the required steps and the time frames to complete these steps when determining the time schedule; 3) document, retain and track established time schedules it proposed for transferring City-owned lots to developers; and 4) coordinate with other City agencies and the Mayor's Office to review the lots identified herein as being assigned to other City agencies and determine whether the lots would be better suited for development of affordable housing.

The results of the audit have been discussed with HPD 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](mailto:audit@comptroller.nyc.gov).

Sincerely,

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

Scott M. Stringer

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# THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER AUDIT AND SPECIAL REPORTS

## Audit Report on the Development of City-Owned Vacant Lots by the New York City Department of Housing Preservation and Development

FM14-112A

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### EXECUTIVE SUMMARY

This audit focuses on City-owned vacant land that can be developed into affordable housing and whether HPD has, in accordance with its rules, established plans with realistic time schedules for the transfer of these lots for development.

HPD's mission is "to make strategic investments that will improve and strengthen neighborhoods while preserving the stability of our existing housing stock." In furtherance of this mission, the agency "is responsible for carrying out Mayor Bill de Blasio's *Housing New York: A Five-Borough Ten-Year Plan*, an initiative to build or preserve 200,000 affordable housing units." To help accomplish these goals, HPD enters into agreements with developers to construct and rehabilitate buildings on City-owned land and private sites. Generally, developers must respond to a Request for Proposal (RFP) or a Request for Qualifications (RFQ), as part of a competitive process to be selected to develop housing on public, *i.e.*, City-owned land. Next, development on public sites generally requires that the developer to go through a Uniform Land Use Review Procedure (ULURP), which involves reviews and approvals of the plans by multiple parties such as Community Boards, the City Planning Commission, and elected officials including the Mayor.

The City provides developers with various financing and tax incentives to encourage them to build affordable housing. As a result of HPD's efforts, underutilized vacant properties that were a blight in many City neighborhoods have been developed into safe affordable homes.

According to HPD's records, as of September 18, 2015, there were 1,131 City-owned vacant properties under its jurisdiction that are suitable for residential development, approximately half of which are slated for development within the next few years.

## Audit Findings and Conclusion

Our audit found that the City owns over a thousand vacant lots that could be developed under existing urban renewal programs, but many of these lots have been allowed to languish and remain undeveloped for up to 50 years or longer. While HPD contends that over the years it has disposed of most of the lots it has been responsible for, we found that as of September 18, 2015, HPD listed 1,131 vacant lots under its jurisdiction. Further, we found that although HPD solicits developers to build on these properties, it has not established plans with realistic time schedules to actually transfer City-owned vacant properties to developers.

Pursuant to General Municipal Law § 502, HPD has devised urban renewal plans for areas that include its vacant properties. However, we found that the projected schedules are often pushed to a later date and sometimes no date is specified at all, notwithstanding the fact that the law requires “a proposed time schedule for the effectuation of such plan.” Accordingly, it appears that schedules with adequate procedures to enable the transfer of City-owned properties to developers in accordance with those schedules have not been consistently formulated. Finally, we identified an additional 340 City-owned vacant lots under the jurisdiction of other City agencies that could be considered to be used for residential construction.

## Audit Recommendations

The audit made the following four recommendations:

1. HPD should develop and propose a realistic time schedule for transferring City-owned lots to developers.
2. HPD should take into consideration the required steps and the time frames to complete these steps when determining the time schedule. These steps should include:
  - Selection of a developer for a specific site
  - Submission of architectural plans by developer
  - Approval of architectural plans
  - Meeting with community representatives
  - ULURP process
  - Obtaining financing
  - Obtaining all approvals from within HPD to proceed with project and transfer the lots
3. HPD should document, retain, and track established time schedules it proposed for transferring City-owned lots to developers. This should include instances where a timeframe has yet to be determined. Additionally, HPD should document reasons why any established time schedules are subsequently changed.

4. HPD should coordinate with other City agencies and the Mayor's Office to review the lots identified herein as being assigned to other City agencies and determine whether the lots would be better suited for development of affordable housing.

## Agency Response

In her response, HPD's commissioner stated:

We agree that new affordable housing on vacant City-owned property is an urgent priority given the City's affordable housing crisis. As you know, in *Housing New York*, Mayor Bill de Blasio charged HPD with financing the development or preservation of an unprecedented 200,000 affordable residences over the coming 10 years. Two years into the plan, we are ahead of schedule, having financed 40,204 homes for low, moderate, and middle-income New York families.

Your assertion that HPD allows vacant City-owned properties to languish in the face of the affordable housing crisis is simply wrong. Your audit notes that HPD controls 1,131 vacant City-owned properties. Of those:

- Approximately 310 have major development challenges – they are in flood/hurricane danger zones, for example, or have severe infrastructure deficiencies. . . .
- Over 150 of these properties are better suited for non-residential uses. . . .
- Approximately 670 of these properties are suitable and feasible for residential development. Roughly 400 of these have been designated or are earmarked for developer designation within the next two years.

## Auditor Comment

HPD's attempt to diminish the audit conclusions fails to address its most salient finding—that the City owns more than a thousand vacant lots under HPD control that can potentially be developed for affordable housing and that 75 percent of these have been owned by the City for more than 30 years without being developed or otherwise disposed of. These lots, most of which HPD had earmarked for development at one time, have been allowed to languish and remain undeveloped. We recognize that the development of land and particularly of affordable housing is challenging. However, the audit findings identify deficiencies in the City's planning processes that have affected its ability to meet these challenges. During the as much as 50 years when it owned some of these properties, the City was required to formulate plans with meaningful timeframes and, as part of that process, should have made a determination of the best use of these properties. HPD's recent conclusion that 150 of these properties are better suited for non-residential uses itself highlights the inadequacy of its prior planning efforts. Further, HPD states that 400 properties have been designated or are earmarked for developer designation within the next two years. We hope that, unlike what we found frequently occurred in the past, these development schedules are adhered to and not unduly delayed or abandoned.

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

# AUDIT REPORT

## Background

The New York City Department Housing Preservation and Development (HPD), the largest municipal housing agency in the nation, works with private, public, and community partners to improve and strengthen neighborhoods, enable more New Yorkers to become homeowners, and increase the supply of affordable housing units. HPD identifies its mission as “to make strategic investments that will improve and strengthen neighborhoods while preserving the stability of our existing housing stock.” In furtherance of this mission, the agency “is responsible for carrying out Mayor de Blasio’s *Housing New York: A Five-Borough Ten-Year Plan*, an initiative to build or preserve 200,000 affordable housing units.”

Among the circumstances that have affected HPD’s mandate is the City’s 1970s- era fiscal crisis, which led to abandoned housing and high vacancy rates in many neighborhoods. To stem the impact on surrounding neighborhoods, in the mid-1970s the City took ownership of many abandoned properties through *in-rem* foreclosure actions. HPD was established in 1978 to manage the large and growing inventory of these residential properties. By the early 1990s, HPD had become the City’s largest landlord, with an inventory of hundreds of properties to manage, repair, and sell.

Among the properties that the City acquired during this period, many were and/or currently are vacant lots. HPD maintains a list of City-owned vacant lots that it deems suitable for development of residential housing. According to HPD’s records, as of September 18, 2015, there were 1,131 City-owned vacant properties under its jurisdiction suitable for residential development; approximately half of which are slated for development within the next few years.

Most of the HPD-managed City-owned vacant lots (98 percent) that the City acquired through *in-rem* actions were designated as part of an urban renewal program and were intended for the development of housing. According to New York General Municipal Law, Article 15, § 502, “urban renewal” is “[a] program established, conducted and planned by a municipality for the redevelopment, through clearance, replanning, reconstruction, rehabilitation, and concentrated code enforcement, or a combination of these and other methods, of substandard and insanitary areas of such municipalities.” As of June 27, 2014, 814 of the 1,131 vacant lots (72 percent) had an urban renewal area plan assigned to them by HPD. However by September 18, 2015, that number decreased to 794 (70 percent). At the exit conference, HPD requested that we report the percentage of lots assigned to an urban renewal area plan.

As was noted by the State Legislature in General Municipal Law, Article 15, §501,

The existence of . . . [vacant] areas constitutes a serious and growing menace, is injurious to the public safety, health, morals and welfare, contributes increasingly to the spread of crime, juvenile delinquency and disease, necessitates excessive and disproportionate expenditures of public funds for all forms of public service and economic soundness and stability, thereby threatening the source of public revenues.

According to a study by the National Vacant Properties Campaign, problems associated with vacant lots include illegal dumping of litter and solid waste, hazardous waste contamination, creating a home for rats, unsafe conditions for children, crime, a wasted resource, lower neighborhood property values and disruption of a neighborhood's sense of community.<sup>1</sup>

HPD's Division of Property Management and Client Services oversees the urban renewal properties until they are transferred to developers. According to New York General Municipal Law, Article 15, § 505, the agency must prepare an urban renewal plan for areas that are so designated. According to § 502, the plan,

shall include but shall not be limited to: a statement of proposed land uses; proposed land acquisition, demolition and removal of structures; proposed acquisition of air rights and concomitant easements or other rights of user necessary for the use and development of such air rights; proposed methods or techniques of urban renewal; proposed public, semi-public, private or community facilities or utilities; a statement as to proposed new codes and ordinances and amendments to existing codes and ordinances as are required or necessary to effectuate the plan; proposed program of code enforcement; a proposed time schedule for the effectuation of such plan, and such additional statements or documentation as the agency may deem appropriate.

The New York City Charter, Chapter 61 §1802(6) (c) requires HPD to "manage and superintend all real property acquired by the city for or devoted to, housing or urban renewal purposes." Chapter 61 §1802(6) (j) further requires HPD to

sell, lease, exchange or otherwise dispose of residential real property of the City, provided that no such sale, lease, exchange or other disposition shall be authorized without the approval of the mayor and until a public hearing has been held with respect to such action after the publishing of notice in the City Record at least thirty days in advance of such hearing.

To accomplish these goals, HPD enters into agreements with developers to construct and rehabilitate buildings on City-owned land and private sites. Generally, developers must respond to a Request for Proposal (RFP) or a Request for Qualifications (RFQ) as part of a competitive process to be selected to develop housing on public, i.e., City-owned land. Next, development on public sites generally requires that the developer to go through a Uniform Land Use Review Procedure (ULURP), which involves review and approval by multiple parties such as Community Boards, the City Planning Commission, and elected officials including the Mayor.

The City provides developers with various financing and tax incentives to encourage them to build affordable housing. As a result of HPD's efforts, underutilized vacant properties that were a blight in many City neighborhoods have been developed into safe affordable homes.

Department of Citywide Administrative Services (DCAS) also has a role in the management and administrative function of City-owned vacant land, which includes selling, purchasing, and leasing

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<sup>1</sup> The National Vacant Properties Campaign's mission is to help communities prevent abandonment and reclaim abandoned and vacant properties. The Campaign focuses on properties — homes, factories, stores, and vacant lots — that are not legally occupied, show signs of neglect, or pose a public nuisance.

City properties, in addition to coordinating the transfer of properties to and between City agencies to support other agency needs and programs. However, DCAS is not involved in transferring land to developers to erect housing.

## Objectives

The objectives of this audit were to identify City-owned vacant land that can be developed into affordable housing and determine whether HPD has established plans with realistic time schedules for the transfer of property for development.

## 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 objectives. 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.

The scope of this audit covers City-owned vacant land properties under HPD's jurisdiction for housing development from June 29, 2014 through September 18, 2015 and City-owned vacant land assigned to other agencies during Fiscal Year 2014.

## Discussion of Audit Results

The matters covered in this report were discussed with HPD and DCAS officials during and at the conclusion of this audit. A preliminary draft report was sent to HPD and DCAS and discussed at an exit conference held on December 21, 2015. On December 30, 2015, we submitted a draft report to HPD and DCAS officials with a request for comments. On January 14, 2016, DCAS' Director of Internal Audit and Compliance sent an email stating that DCAS will not be issuing a response to the draft report. We received a written response from HPD on January 15, 2016.

In her response, HPD's commissioner stated:

We agree that new affordable housing on vacant City-owned property is an urgent priority given the City's affordable housing crisis. As you know, in *Housing New York*, Mayor Bill de Blasio charged HPD with financing the development or preservation of an unprecedented 200,000 affordable residences over the coming 10 years. Two years into the plan, we are ahead of schedule, having financed 40,204 homes for low, moderate, and middle-income New York families.

Your assertion that HPD allows vacant City-owned properties to languish in the face of the affordable housing crisis is simply wrong. Your audit notes that HPD controls 1,131 vacant City-owned properties. Of those:

- Approximately 310 have major development challenges – they are in flood/hurricane danger zones, for example, or have severe infrastructure

deficiencies. . . .

- Over 150 of these properties are better suited for non-residential uses. . . .
- Approximately 670 of these properties are suitable and feasible for residential development. Roughly 400 of these have been designated or are earmarked for developer designation within the next two years. The remainder will be designated and likely developed within the duration of the *Housing New York* plan.”

As discussed in greater detail in the body of this report, HPD’s attempt to diminish the audit conclusions fails to address its most salient finding—that the City owns more than a thousand vacant lots under HPD control that can potentially be developed for affordable housing and that 75 percent of these have been owned by the City for more than 30 years without being developed or otherwise disposed of. These lots, most of which HPD had earmarked for development at one time, have been allowed to languish and remain undeveloped. We recognize that the development of land and particularly of affordable housing is challenging. However, the audit findings identify deficiencies in the City’s planning processes that have affected its ability to meet these challenges. During the as much as 50 years when it owned some of these properties, the City was required to formulate plans with meaningful timeframes and, as part of that process, should have made a determination about the best use of these properties. HPD’s recent conclusion that 150 of these properties are better suited for non-residential uses itself highlights the inadequacy of its prior planning efforts. Further, HPD states that 400 properties have been designated or are earmarked for developer designation within the next two years. We hope that, unlike what we have found frequently occurred in the past, these development schedules are adhered to and not unduly delayed or abandoned.

The full text of HPD’s response is included as an addendum to this report.

## FINDINGS AND RECOMMENDATIONS

Our audit found that the City owns over a thousand vacant lots that could be developed under existing urban renewal programs, but many of these lots have been allowed to languish and remain undeveloped for up to 50 years or longer. As of September 18, 2015, HPD listed 1,131 vacant lots under its jurisdiction. Although HPD solicits developers to build on these properties, it has not established plans with realistic time schedules to actually transfer City-owned vacant properties to developers. Pursuant to General Municipal Law § 502, HPD has devised urban renewal plans for areas that include its vacant properties, but often projected schedules are pushed to a later date and sometimes no date is specified at all, though the law specifically states that there be “a proposed time schedule for the effectuation of such plan.” It appears that schedules with adequate procedures to enable the transfer of City-owned properties to developers in accordance with those schedules have not been consistently formulated. Finally, we identified an additional 340 City-owned vacant lots under the jurisdiction of other City agencies that could be considered to be used for residential construction.

According to Mayor de Blasio’s *Housing New York A Five-Borough, Ten-Year Plan*, issued in May 2014, “New York City’s shortage of affordable housing has reached a crisis point.” Development of City-owned properties may serve to mitigate this shortage. We recommend that HPD establish and implement realistic time schedules for when it will transfer its inventory of City-owned properties to developers, and appropriate procedures to enable these timeframes to be met. We also recommend that HPD coordinate with the Mayor’s Office to determine the feasibility of utilizing the additional vacant lots under the jurisdiction of other City agencies for the construction of affordable housing.

### City-Owned Vacant Lots Designated for Urban Renewal Remain Undeveloped for Up to 50 Years

The City currently owns more than a thousand vacant lots in all five boroughs, some of which have been in the City’s possession for as long as at least 50 years and in the case of some, potentially even longer. At least 75 percent (744) of these lots have been in the City’s possession for 30 years or more. These properties are under HPD’s jurisdiction and the majority are designated to be developed as part of HPD’s urban renewal programs. For the most part, they are either underutilized or not utilized at all.<sup>2</sup> As of September 18, 2015, HPD identified 1,131 City-owned vacant lots that it manages and is charged with disposing. We were able to ascertain the length of time that 992 (88 percent) of these properties have been owned by the City. However, as to the other 139 (12 percent) of the properties, we were unable to obtain their dates of acquisition because that information is not available on the New York City Department of Finance (DOF) Automated City Register Information System (ACRIS), which does not have deed information prior to 1966.<sup>3</sup> Table I below illustrates the length of time that 992 (88 percent) of the HPD managed properties have been owned by the City.

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<sup>2</sup> While a number of lots are being used for parking or leased on a month to month basis, most are completely vacant.

<sup>3</sup> It is possible that some of the 139 properties were obtained by the City prior to 1966. At the exit conference, HPD explained that the City did not always register in ACRIS when the property was taken through condemnation proceedings. In addition, as noted, the records in ACRIS contain deed information starting in 1966. Therefore, we are not able to determine the dates the City acquired the 139 properties.

Table I

Length of Time HPD Vacant Lots  
Owned by the City

Number of Vacant Lots & Unlicensed Parking Lots	Number of Years Owned By the City	Percentage of 992 Lots Owned by the City
231	40-50	23%
513	30-39	52%
170	20-29	17%
46	10-19	5%
32	0-9	3%
<b>Data for 992 lots out of 1,131 Properties Owned by City</b>		

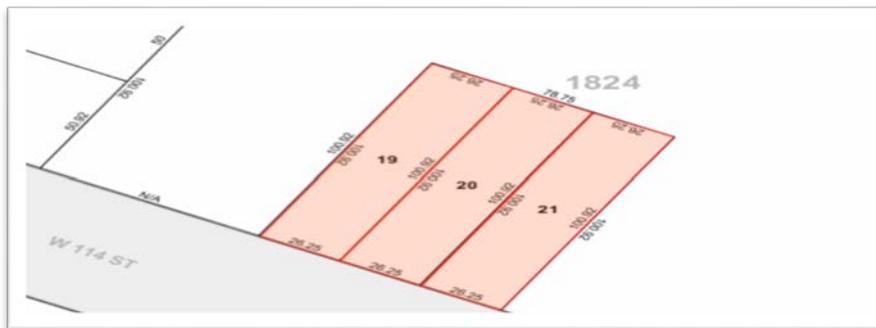
By way of illustration, the photos and tax map below provide one example of a vacant property in Manhattan that is owned by the City and managed by HPD. It consists of three lots, aligned and adjacent to each other and with a total area of 78.75 feet X 100.92 feet. Each individual lot is 26.25 feet wide x 100.92 feet long. Two of these lots were acquired by the City in 1978 and the third was acquired in 1984. HPD's inventory records, as of June 29, 2014, listed these lots as part of an urban renewal program.

The property (consisting of all three lots) was scheduled to be removed from HPD's inventory and transferred to developers to build affordable housing in Fiscal Year 2015. However, that did not happen. The projection date was then changed to Fiscal Year 2018. As of September 18, 2015, HPD had not selected a developer. However, assuming that this property is actually disposed on in 2018 as currently scheduled, these individual lots will have been under City ownership between 34 to 40 years.

**Vacant Land at West 114<sup>th</sup> Street in Manhattan**  
**[Borough 1, Block 1824, Lot numbers 19, 20 and 21]**



**[Overhead Aerial view of property]**



In another example of vacant property owned by the City and managed by HPD, the property pictured below, which consists of three lots, is located in the Bronx and was acquired by the City beginning in the early 1970s. Although not symmetrically shaped, the lots are adjacent to one another and have the following dimensions: Lot 1 is 69.60 feet X 327.58 feet, Lot 25 is 52.50 feet X 233.91 feet, and Lot 26 is 503.16 feet X 82.75 feet.

The projected date to transfer this property to developers as part of an urban renewal program has been changed from Fiscal Year 2015 to Fiscal Year 2017. As a result, assuming a disposition to developers on the currently scheduled date, the City will have owned the property for at least 45 years.

**Vacant Land in the Bronx [between Bergen Avenue and Brook Avenues and bordering Westchester Avenue]**

**[Borough 2, Block number 2361: Lots: numbers 1, 25 and 26]**



[Overhead Aerial view of property]



In another example, the vacant property pictured below, located in Queens, was acquired by the City as far back as the early 1970s. This property consists of twenty lots that are aligned and adjacent to each other. As of September 2015, this land had been owned by the City for at least 40 years. Under HPD's jurisdiction, this property has been slated for development of small homes (20 percent for affordable housing) since 2005. On HPD's lists dated June 29, 2014, and September 18, 2015, the projected date for this property to be removed from City ownership and transferred to a developer is listed as "to be determined." HPD stated that following Hurricane Sandy, it has been evaluating the feasibility of ocean-front development.

### **Vacant Land in Queens**

#### **Bordering Beach 32<sup>nd</sup> Street Edgemere Avenue, Sprayview Avenue**

#### **And through to Beach 43<sup>rd</sup> Street along Rockaway Freeway**

**[20 City-owned Vacant Lots in Queens – Borough Block and Lot Numbers: 4-15859-1, 4-15860-1, 4-15861-1, 4-15861-47, 4-15862-1, 4-15863-1, 4-15864-1, 4-15865-1, 4-15866-1, 4-15867-1, 4-15868-1, 4-15869-1, 4-15870-60, 4-15870-71, 4-15871-1, 4-15873-1, 4-15874-8, 4-15874-41, 4-15875-1, and 4-15876-1]**



[Overhead Aerial view of property]



Despite, as illustrated in the prior examples, HPD’s failure to transfer ownership and ensure the development of these 1,131 properties in accordance with its stated time schedule, as required under New York General Municipal Law, Article 15 § 502, it has had successes as well. For example, the photo below is of housing developed in response to a request for proposal issued by HPD in 2001. This successful development in Queens illustrates the potential for construction of residential developments and can be seen as a model for other City-owned properties

**Arverne by the Sea**



When completed, Arverne by the Sea will have 2,300 units, half of which will be affordable to households with an annual income of \$92,170 or less for a family of four. Thus, affordable housing has been and can continue to be developed on what was once underutilized City-owned vacant land.

## HPD Has Not Established Realistic Timeframes to Transfer City-Owned Vacant Lots to Developers

HPD has not established or proposed a plan with realistic time schedules for transferring the remaining City-owned vacant properties to developers. By comparing the 2014 plan with the 2015 plan, we see projected timeframes pushed forward to future dates and, at times, no timeframe is given at all. It appears that when creating a schedule for removing properties from City ownership, HPD has not effectively taken into consideration the many factors and time that is required before transferring City-owned property to developers. A plan with realistic time frames and procedures will allow HPD to better manage and plan for the timely transfer of City-owned vacant land to developers, which is an essential step necessary to enable the development and construction of affordable housing. Without a realistic and effective plan, the City will remain the owner of these properties longer than necessary and a valuable resource is not being utilized effectively during an affordable housing crisis.

New York General Municipal Law Article 15 §502 specifically requires a time schedule for urban renewal plans. We reviewed and compared HPD's inventory lists dated June 29, 2014, and September 18, 2015, and found that 324 properties had "to be determined" as their transfer dates on the 2014 list but that this number had increased to 600 on the 2015 list. In addition, we found that HPD delayed the projected time of transfer by at least a year for an additional 167 lots to a later year (e.g., from 2016 to 2018).<sup>4</sup> (Vacant land does not actually transfer until all approvals for a proposed site's disposition and development have been made and the developer secures the necessary financing.) Thus, out of the 1,199 properties on the 2014 list, 477 (40 percent) had dates for transfer changed and apparently delayed.

The date of transfer to developers remained unchanged on both lists for only 317 (26 percent) of the lots. However, HPD moved 238 of these to a new program called New Infill Homeownership Opportunities Program/Neighborhood Construction Program (NIHOP/NCP). Since HPD did not change the projected transfer date for the 238 lots (73 listed for transfer in Fiscal Year 2016 and 165 listed for transfer in Fiscal Year 2017), it does not appear that HPD took into consideration the extra time that will be required to issue a new RFQ, receive and review developers' responses, and select qualified developers.<sup>5</sup> As of October 16, 2015, HPD had not selected developers for specific sites under this new program. At the exit conference, HPD said that some of the dates of transfer would not be affected because they retained some of the developers that were selected from the prior RFP, which was issued in 2005. However we question how the transfer date could not be affected by HPD creating a new program, especially since these lots were not transferred during the past decade under the old program. In addition, 74 lots did not have any program associated with them on the 2014 list, but were identified as being part of the NIHOP/NCP program in 2015. Nonetheless, the fiscal year that HPD projected that the 74 lots would be transferred remained the same on the 2015 list. We question the accuracy of this designation since there do not appear to have been developers selected for these 74 properties in 2014.

HPD seems well aware of the potential delays inherent in the processes associated with its new program. In the RFQ issued by HPD for this urban renewal program, it specifically informed potential developers that the design process could take up to six months and then the design

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<sup>4</sup> On September 18, 2015, HPD had 1,131 vacant lots listed in its inventory. We accounted for 1,084 (600+167+317) of the 1,131. Of the remaining 47 lots, seven lots received an earlier projected date, 34 lots were moved from TBD to a specific date, and six lots were excluded from this analysis because they were not listed in the June 29, 2014 inventory.

<sup>5</sup> The NIHOP/NCP RFQ was issued December 12, 2014. The deadline for developers' submissions was February 19, 2015, and submissions were reviewed in the winter/spring of 2015.

approval and ULURP process could take up to one year. Since HPD did not change the projected transfer date for the 238 properties, it appears that HPD did not take into consideration the same issues it identified in the RFQ to potential developers when it calculated the times for transferring the properties on its 2015 list.

HPD should take each key step into consideration in order to calculate a realistic transfer timeline. These steps should include selection of a developer; submission by the developer of architectural plans; approval by HPD of the architectural plans; submission of the plans for ULURP; and securing financing for the development. Creating a plan that incorporates a projected time of completion for each key step would allow HPD to propose more realistic dates for these lots to be transferred to a developer.

## **Other City-Owned Vacant Lots That Could Be Used for Developing Affordable Housing**

Our review found an additional 340 City-owned lots that are currently vacant which could be used for urban renewal purposes. These lots have been owned by the City for up to 49 years. They are large enough to develop housing and are in close proximity to other housing. The lots are currently assigned to City agencies other than HPD and are either vacant or being used for parking.

Given the affordable housing crisis in New York City, the City should review the current usage of these lots and consider developing them into affordable housing. The pictures below illustrate examples of unlicensed parking lots and vacant properties we found that are owned by the City and are under the jurisdiction of either the New York City Housing Authority (NYCHA), New York City Police Department (NYPD), or DCAS. These lots can potentially serve as sites for the development of affordable housing based on their size and proximity of residential areas.

This is an example of vacant property, located in Brooklyn, which was acquired by the New York City Housing Authority in 1993. This property consists of three vacant lots aligned and adjacent to each other.

Vacant Land in Brooklyn [on Sterling  
Place between Ralph Avenue &  
Howard Avenue]

**NYCHA property BBL 3-1470-24, 25, and 160**





This is an example of vacant property, located in the Bronx, acquired by the City between 1975 and 1984, which is currently being used for parking by the NYPD. This property consists of 5 vacant lots and has been classified by DOF as unlicensed parking lots.

**Vacant Land in the Bronx [on E. 139  
Street between Alexander Avenue Ralph  
Avenue & Willis Avenue]**

**[Borough 2, Block 2302, Lot numbers 56, 57, 58, 59 and 60]**



[Overhead Aerial view of property]



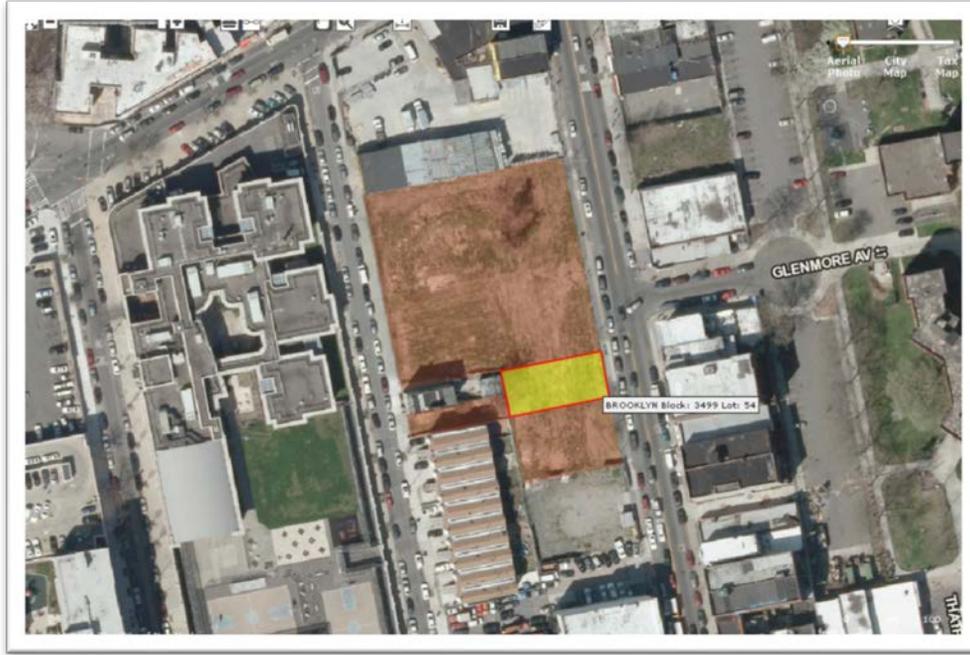
This is an example of vacant property, located in Brooklyn, which was acquired by the City between 1973 and 1986. This property consists of 12 lots aligned and adjacent to each other.

**Vacant Land in Brooklyn [on  
Rockaway Avenue between Pitkin  
Avenue & Howard Avenue]**

**[12 City-owned Vacant Lots in Brooklyn – Borough Block and Lot Numbers: 3-3499-23, 3-3499-24, 3-3499-46, 3-3499-47, 3-3499-48, 3-3499-50, 3-3499-52, 3-3499-53, 3-3499-54, 3-3499-56, 3-3499-57 and 3-3499-58]**



[Overhead Aerial view of property]



## Recommendations

1. HPD should develop and propose a realistic time schedule for transferring City-owned lots to developers.

**HPD Response:** “HPD has a working time schedule in place. HPD advances affordable housing development on City- owned lots and makes every effort to do so within feasible, realistic timeframes. Over the past several years, HPD has financed development on significant numbers of vacant City owned land, both within and outside of urban renewal areas. We continue to do so as aggressively as possible within the constraints of infrastructure capacity, the need for planning and policy analysis about issues such as resiliency, and real estate market conditions of New York City’s diverse neighborhoods.”

**Auditor Comment:** As shown by this audit, during the scope period, 40 percent of the City-owned lots under HPD’s control had their date of transfer to developers delayed. This indicates that realistic time schedules were not established by HPD. As can be seen in its response, HPD is well aware of the regulations and procedures that it is required to follow in order to transfer City-owned property to developers. Therefore, we believe that HPD has the knowledge and experience to formulate realistic times schedules for transferring these properties to developers.

2. HPD should take into consideration the required steps and the time frames to complete these steps when determining the time schedule. These steps should include:
  - Selection of a developer for a specific site
  - Submission of architectural plans by developer
  - Approval of architectural plans
  - Meeting with community representatives
  - ULURP process
  - Obtaining financing
  - Obtaining all approvals from within HPD to proceed with the project and transfer the lots

**HPD Response:** “HPD does take into consideration all of the elements in this recommendation (as well as many others, such as the need for community engagement and city services assessments). This practice is currently outlined in all HPD Requests for Proposals (RFPs).”

**Auditor Comment:** As found by the audit, the RFPs or RFQs issued by HPD did identify the estimated timeframes for completion of many of the above steps. However those timeframes do not appear to be considered when calculating the

date the lots would be transferred to developers. It is HPD's responsibility to recognize all its challenges and plan accordingly.

3. HPD should document, retain, and track established time schedules it proposed for transferring City-owned lots to developers. This should include instances where a timeframe has yet to be determined. Additionally, HPD should document reasons why any established time schedules are subsequently changed.

**HPD Response:** "HPD currently tracks feasible City- owned sites as they proceed through the steps of the disposition and entitlement processes. Tracking documentation is used for project management purposes and is kept confidential in order to avoid influencing real estate market conditions and speculative behavior in the real estate development community."

4. HPD should coordinate with the other City agencies and the Mayor's Office to review the lots identified herein as being assigned to other City agencies and determine whether the lots would be better suited for development of affordable housing.

**HPD Response:** "It is HPD's established ongoing practice to actively coordinate with all City agencies and the Mayor's Office to identify sites within City ownership that would function best as affordable housing."

## 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 finding 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 objectives. 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.

The scope of this audit covers City-owned vacant properties under HPD jurisdiction for housing development from June 29, 2014, through September 18, 2015, and City-owned vacant land assigned to other agencies during Fiscal Year 2014.

We met with DCAS officials to obtain an understanding of DCAS's role in the administration of City-owned properties. We also met with HPD officials to obtain an understanding of the controls and processes involved in the acquisition, maintenance and disposition of properties that are under HPD's jurisdiction.

We obtained a listing of the more than one million properties, uniquely identified by borough, block and lot (BBL), from DOF's Fiscal Year 2014 website database files by tax class (as of May 31, 2013). We performed a query on the listing of properties in New York City and only selected those properties that had a building classification of being vacant (V0 through V9) or were classified as an unlicensed parking lot, building classification (G7).

We sorted the information from the database file by borough. We then determined the number of City-owned properties located in each borough using the name of the property owner for each BBL as a guide. We removed the properties that were not owned by the City from each of our borough files. From the 8,503 unique BBLs classified as either vacant or unlicensed parking lots that we determined were owned by the City, 509 properties were located in Manhattan, 1,011 properties were located in the Bronx, 2,028 properties were located in Brooklyn, 2,179 properties were located in Queens, and 2,776 properties were located in Staten Island.

We analyzed our listing of 8,503 properties to determine how many of these properties were under the jurisdiction or ownership of HPD. We then requested from HPD officials a listing of vacant lots that they have identified as under HPD's jurisdiction. An analysis of this information revealed that there were 1,200 unique vacant lots under HPD's jurisdiction as of June 29, 2014. To assess the reliability of this data, we obtained information from independent sources. We obtained a listing from DCAS that included a list of all vacant properties transferred to other City agencies, including HPD. We also compared HPD's listing to our Comptroller-generated listing of City-owned lots in NYC classified by DOF as vacant or unlicensed parking lots that were under the jurisdiction of HPD as of May 31, 2013.

In addition, we analyzed each of the 8,503 properties through virtual observations and review of information from various sources to determine whether these properties could potentially be developed into affordable housing. In our judgment, these properties had to meet certain criteria before we considered they could potentially be developed into affordable housing. The properties had to be a single lot or two or more adjacent lots owned by the City, at least approximately 16 feet wide by 90 feet long, located in, or close to, a residential neighborhood, not be a street, under water, a community garden or a park. We used DOF's Digital Tax Maps to see pictures of the lot,

size or dimensions of the lot, and adjacent lot numbers. We also looked at cross streets shown, thereby establishing location. We used Google Maps to view pictures of each property and the surrounding area. Additionally, we looked at the New York City Department of City Planning's Zoning and Land Use Application (ZOLA) to view more pictures of the property and to obtain zoning information. After our review, we determined that, in addition to the properties that were assigned to HPD, there were another 340 properties assigned to other City agencies that met our criteria for possible development into affordable housing. We used DOF's ACRIS to determine the dates that the City obtained acquisition of each of the lots.

We also compared HPD's inventory list as of September 18, 2015, to the previous list of 1,200 uniquely identified vacant lots as of June 29, 2014. We identified seven additional vacant lots on the latest inventory list and found that one lot from the prior list had been split into two lots, thus resulting in a total of 1,208 unique vacant lots. The updated inventory list indicated that 77 lots were either sold to a developer or transferred to another City agency. This left a total of 1,131 uniquely identified vacant lots under HPD's jurisdiction as of September 18, 2015.

We analyzed the two lists provided by HPD to determine whether HPD had a projected fiscal year for when properties would be transferred to a developer, whether that projected fiscal year changed between the two lists, and whether the projected fiscal year was reasonable.



City of New York  
DEPARTMENT OF  
HOUSING PRESERVATION AND DEVELOPMENT  
100 GOLD STREET, NEW YORK, N.Y. 10038  
nyc.gov/hpd

VICKI BEEN  
Commissioner

January 15, 2016

Marjorie Landa  
Deputy Commissioner for Audit  
Office of the New York City Comptroller  
One Centre Street  
New York, New York 10007

Re: Audit Report on the Development of City-Owned Vacant Lots by the New York City Department of Housing Preservation and Development FM14-112A

Dear Deputy Commissioner Landa,

I write in response to your "Audit Report on the Development of City-Owned Vacant Lots." We agree that new affordable housing on vacant City-owned property is an urgent priority given the City's affordable housing crisis. As you know, in *Housing New York*, Mayor Bill de Blasio charged HPD with financing the development or preservation of an unprecedented 200,000 affordable residences over the coming 10 years. Two years into the plan, we are ahead of schedule, having financed 40,204 homes for low, moderate, and middle-income New York families.

Your assertion that HPD allows vacant City-owned properties to languish in the face of the affordable housing crisis is simply wrong. Your audit notes that HPD controls 1,131 vacant City-owned properties. Of those:

- Approximately 310 have major development challenges – they are in flood/hurricane danger zones, for example, or have severe infrastructure deficiencies. HPD is currently evaluating the challenges facing these properties to determine which, if any, could be developed for residential uses in the future. Mayor de Blasio's FY2016 executive budget includes a \$512 million affordable housing infrastructure fund precisely to ensure that critical investments are made to make public land development ready, and devotes \$14.7 billion for the Department of Environmental Protection to invest in the water and sewer system.
- Over 150 of these properties are better suited for non-residential uses. With such properties, HPD evaluates whether the land can be used to serve the mission of other agencies and takes action when a productive use is found, as demonstrated by a recent transfer of 33 properties to the Department of Parks and Recreations for use as community gardens.
- Approximately 670 of these properties are suitable and feasible for residential development. Roughly 400 of these have been designated or are earmarked for developer designation within the next two years. The remainder will be designated and likely developed within the duration of the *Housing New York* plan.

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Indeed, HPD is proceeding apace within realistic and aggressive timeframes on all vacant City-owned properties that are suitable and feasible for residential development.

While I appreciate your suggestions for improving the processes we use to program property for its most appropriate use, your analysis omits important tasks related to the development of new affordable housing on vacant City-owned property that take considerable time. First, HPD must consult, early and often, residents and our community partners about development that may occur in their neighborhoods. Second, we recognize that the new residents housing brings to a neighborhood must be supported by municipal services. HPD works to ensure that services such as schools, transportation, police and hospitals are sufficient to support quality communities and new residential development. Third, real estate market conditions vary substantially from one neighborhood to the next, and HPD must time investments for the neighborhood to ensure that the city's financial resources are used responsibly and our affordable housing developments are both financially successful and serve the immediate neighborhood and the City as a whole for the decades to come.

I would be happy to discuss any further issues relevant to the audit if that would be helpful. Thank you for your attention to this important issue.

Sincerely,



Vicki Been

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**Agency Responses to Findings and Recommendations**

**Finding**

City Owned Vacant Lots  
Designated for Urban Renewal  
Remain Undeveloped for Up to 50  
Years

**Recommendation 1**

HPD should develop and propose a realistic time schedule for transferring City- Owned Lots to developers.

**Response**

HPD has a working time schedule in place. HPD advances affordable housing development on City-owned lots and makes every effort to do so within feasible, realistic timeframes. Over the past several years, HPD has financed development on significant numbers of vacant City owned land, both within and outside of urban renewal areas. We continue to do so as aggressively as possible within the constraints of infrastructure capacity, the need for planning and policy analysis about issues such as resiliency, and real estate market conditions of New York City's diverse neighborhoods.

HPD has commented below on the status of two vacant sites within urban renewal areas mentioned in your report, including one in the Bronx (Block 2361, Lots 1, 25 and 26) and one in Queens (bordered by Beach 32<sup>nd</sup> Street, Edgemere Ave and Rockaway Freeway). (*See Agency's Comments on Draft Audit Report section, on page 6 – comment nos. 3 &4*)

Many vacant urban renewal sites suffer from challenging physical or market conditions and/or infrastructure deficiencies that are beyond HPD's control or require an unjustifiable use of city capital subsidy in order to develop. In addition, in programming vacant land for particular uses, HPD must balance the needs and desires of community members, changing conditions in housing markets, and

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the relationship of City-owned sites to broader initiatives (e.g., zoning changes or infrastructure investments).

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**Finding**

HPD Has Not Established Realistic Timeframes

**Recommendation 2**

HPD should take into consideration the required steps and the time frames to complete these steps when determining the time schedule. These steps should include:

- Selection of a developer for a specific site
- Architectural plans submitted by the developer
- Architectural plans approved
- Meeting with community representatives
- ULURP process begins
- ULURP process ends
- Financing secured
- Obtain all approvals from within HPD to proceed with project and transfer the lots.

**Response**

HPD does take into consideration all of the elements in this recommendation (as well as many others, such as the need for community engagement and city services assessments). This practice is currently outlined in all HPD Requests for Proposals (RFPs). For example, HPD recently released an RFP for 425 Grand Concourse in the Bronx, where HPD outlines each of these steps and respondents are required to submit estimated timeframes for their completion. Please refer to Section XI of the RFP available at: <http://www1.nyc.gov/site/hpd/developers/request-for-proposals/425-grand-concourse-RFP.page>

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**Recommendation 3**

HPD should document, retain, and track established time schedules it proposed for transferring City-owned lots to developers. This should include instances where a Time frame has yet to be determined. Additionally, HPD should document reasons why any established time schedules are subsequently changed.

**Response**

HPD currently tracks feasible City-owned sites as they proceed through the steps of the disposition and entitlement processes. Tracking documentation is used for project management purposes and is kept confidential in order to avoid influencing real estate market conditions and speculative behavior in the real estate development community.

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**Finding**

Other City-Owned Vacant Lots  
That Could Be Used for  
Developing Affordable Housing

**Recommendation 4**

HPD should coordinate with the  
other City agencies and the  
Mayor's Office to review the lots  
identified herein as being assigned  
to other City agencies and  
determine whether the lots would  
be better suited for development of  
affordable housing.

**Response**

It is HPD's established ongoing  
practice to actively coordinate with  
all City agencies and the Mayor's  
Office to identify sites within City  
ownership that would function best  
as affordable housing.

For example, on January 4, 2016,  
HPD certified a ULURP  
application for a project called One  
Flushing, located at 133-45 41  
Avenue in downtown Flushing,  
Queens. The site is currently used  
as a municipal surface parking lot  
operated by the New York City  
Department of Transportation  
(DOT). Given that the site is  
located in close proximity to public  
transit, including the 7 train and the  
Long Island Rail Road, and in a  
rapidly growing neighborhood,  
HPD worked together with DOT  
and Queens Community Board 7 to  
advance affordable housing  
development on the site. HPD  
released an RFP for the site on July  
14, 2014.

**Agency's Comments on Draft Audit Report**

Regarding two vacant sites within urban renewal areas mentioned in your report:

1. *Vacant Land in the Bronx, between Bergen Avenue and Brook Avenue (Pages 10-11 of the draft Audit Report)*

*These parcels are the last remaining vacant land parcels that are part of the Bronxchester and Melrose Commons Urban Renewal Areas. Over the course of the past 20 years, HPD has transformed this severely blighted and vacant part of the South Bronx into a vital neighborhood rich with affordable housing for moderate and low income New Yorkers. Over the past 15 years, the agency has facilitated the development of over 3,000 units of affordable housing in the Melrose Commons Urban Renewal Area alone. This particular site, dubbed "La Central" by the developer, will accommodate approximately 900 additional units. A draft Environmental Impact Statement has been completed and ULURP certification is expected in Spring 2016.*

2. *Vacant Land in Queens, bordering Beach 32<sup>nd</sup> Street Edgemere Avenue, Sprayview Avenue (Pages 12-13 of the draft Audit Report)*

*This area, directly adjacent to the successful project you mention on page 14 of the Audit Report, is severely challenged by a lack of roads; electrical, sewer and water infrastructure; the presence of endangered flora and fauna, coastal sea level rise threats; and other issues that complicate the viability of its development. HPD assigned a developer to this site pursuant to an RFP issued in August 29, 2005, but the developer's progress was halted by the financial crisis and the impact of Hurricane Sandy. The agency is examining the feasibility of the project in light of the infrastructure -- especially the resiliency -- challenges, which have become apparent in years since Hurricane Sandy.*

3. *Vacant Land in Brooklyn, on Sterling Place between Ralph Avenue & Howard Avenue (Pages 17-18 of the draft Audit Report)*

*Pursuant to NextGeneration NYCHA, HPD is working with NYCHA to evaluate its land holdings citywide to determine the feasibility of new affordable housing construction. Together, we have already conducted a request for proposals for three infill developments, and will be soliciting proposals regarding many other parcels over the coming years. HPD and NYCHA already have advanced a new development directly opposite this location on vacant land controlled by NYCHA on Block 1467, Lot 35. This project is known as Prospect Plaza III and will include approximately 105 affordable units.*

4. *Vacant Land in Bronx, on E. 139 Street between Alexander Avenue, Ralph Avenue & Willis Avenue (Pages 19-20 of the draft Audit Report)*

*You note that this property assemblage is being used by NYPD. In identifying land for affordable housing, HPD must respect and consider the needs of NYPD and other*



*partner agencies to ensure that they have adequate land to provide services to New York City's communities. As part of our existing practice of monitoring possible City-owned sites for affordable housing development, HPD will continue to work with NYPD and all city agencies to identify surplus land holdings that could be released for affordable housing.*

5. *Vacant Land in Brooklyn, on Rockaway Avenue between Pitkin Avenue & Howard Avenue (Pages 21-22 of the draft Audit Report)*

*NYPD has placed a hold on this assemblage for a new police facility. As we describe in item #4 above, HPD must work closely with our partner agencies to ensure that they have adequate land to provide city services for existing and future residents. Where possible, HPD works together with agencies to combine city services together with new affordable housing.*

