



NEWS

From the Office of the New York State Inspector General
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FOR IMMEDIATE RELEASE
October 13, 2009
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Inspector General Reveals Public Housing Scams

Inspector General Joseph Fisch found that the building manager of a public housing complex collected up to \$25,000 monthly rent in cash and surreptitiously awarded himself contracts to operate a deli, laundromat and make renovations at the site.

Inspector General Fisch criticized Richard Hutchens, 78, of Buffalo, for “chronic self-dealing” for the three years his company, HKMDA, LLC, operated the 616-unit Marine Drive Apartments along Lake Erie.

“In each transaction we examined, Hutchens flouted the rules,” Fisch said. “It was unadulterated greed and audacity. And the Buffalo Municipal Housing Authority lack of oversight virtually invited these abuses.”

Fisch concluded that Buffalo Municipal Housing Authority’s oversight of HKMDA was “virtually non-existent” from 2004 through 2006, when HKMDA was finally removed for management deficiencies. The report found that the state Division of Housing and Community Renewal (DHCR), which regulated the public housing complex, warned the housing authority of the improprieties as early as 2005.

The Inspector General’s 13-page report outlines a pattern of abuse, including:

1. HKMDA violated state policy by collecting \$25,000 a month in cash rentals and storing some of the funds in a back office, where employees and relatives reportedly borrowed from the till.

2. Hutchens and HKMDA supervisor Thomas Bystryk repeatedly gave contracts to their own companies without seeking competitive bids. For example:

-- Hutchens leased a deli/store to himself, using his nephew's friend as a front. The Galley Deli never paid rent and still owes \$11,550.

-- Bystryk hired TaRico Brothers – part-owned by Hutchens and Bystryk's son – for projects at Marine Drive Apartments in direct violation of HKMDA's management contract. The jobs included a \$21,000 renovation of the Galley Deli.

-- Hutchens formed his own laundry company and hired it to manage 62 new machines at the complex. However, he never paid the housing authority its \$64,600 share of the washer-dryer revenue.

-- HKMDA employee Julie Neumann leased space, apparently rent-free, to her daughter's business, Express Spa Services.

Hutchens' self-dealing went unchecked as the housing authority failed in its duty to oversee HKMDA and let his businesses remain even after DHCR rejected their leases, the Inspector General found.

The report recommends several remedial measures, including increased state oversight of the Buffalo Municipal Housing Authority, a comprehensive audit of Marine Drive Apartments' finances during HKMDA's tenure, payment of the \$11,550 in Galley Deli rent and other leases. In response, both state DHCR and the Buffalo housing authority agreed to the remedial measures.

Hutchens was the subject of an earlier [2004 report](#) by the state Inspector General and Attorney General that revealed ethical lapses at the state Canal Corporation regarding development rights sold to Hutchens along the Erie Canal.

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