New York City MyCity business chatbot

IMPLEMENTED 2023–2026 · GOVERNMENT AND PUBLIC SERVICES · US · BAND F · REVERSED
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New York City's chatbot for business owners gave answers that would break the law if followed. The city kept it online with disclaimers, and a new mayor took it down in February 2026.

ABOUT THIS SYNOPSIS

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NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

What went wrong: AI output or malfunction.

AI used: Generative AI chatbot answering business owners' questions, powered by Microsoft's Azure AI services.

Implemented: 2023–2026. Grade: band F, Failure, Reversed.

Headline result, as reported: City chatbot told businesses they could take workers' tips and refuse cash; taken down in February 2026

1 · The case

The facts, as reported by the 5 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

City of New York. City government, New York, United States. The chatbot sat on the MyCity Business site, built by the Office of Technology and Innovation with the Department of Small Business Services. Canvas block: 8. Governance and risk. Also 3. Customers and proposition, 6. Data and technology.

Business challenge

The challenge. The city said business owners had to find information across more than 2,000 NYC Business web pages. It wanted to save owners time and money by giving instant answers on topics such as compliance with codes and regulations, business incentives and how to avoid

Who implemented it

Microsoft (Model or cloud provider): Supplied Azure AI services, per The Markup and Reuters. Nuvalence (Systems integrator): Partnered on the tool, by its co-founder's account.

Technology (SEAM pillar E)

SEAM types: T3 API integrations. Deployment: Cloud APIs. Vendors and products: Microsoft, Nuvalence, Microsoft Azure AI services.

Where it was built in: A chatbot on the city's MyCity Business site, drawing on more than 2,000 NYC Business web pages and articles. How the pages were connected to the model is not reported.

What changed

Before: business owners searched NYC Business web pages themselves. After: a chatbot answered their questions, with some answers contradicting city law. From February 2026 the chatbot page says the beta test has ended and directs visitors to NYC.gov. [1] [2] [3] [4] [5]

Cost of failure

Building the chatbot's foundations reportedly cost nearly $600,000, per The Markup. Mayor Mamdani said it was costing the administration around half a million dollars. Maintenance cost: unclear, per The Markup. Fines, damages or losses to businesses that followed its answers: Not reported.

What it saved

Not reported. A city spokesperson said in March 2024 that the chatbot had "already provided thousands of people with timely, accurate answers". [1] [2] [3] [4] [5]

Governance and control

The city called the chatbot a pilot and a beta product. Its page warned that it could produce incorrect, harmful or biased content, and after the reporting told users not to treat its answers as legal or professional advice. The city said it reviewed questions to improve answers and offered a feedback form. The Markup's testing found wrong answers five months after launch and after the disclaimers were added. Named accountable owner: Not reported.

S2 · Accountable owner · Claimed

The city described the site as a collaboration between the Office of Technology and Innovation and the Department of Small Business Services; no single named owner for the chatbot's answers is reported. [1]

A1 · Safe use · Evidenced
The Markup recorded the page's warning that the chatbot could produce incorrect, harmful or biased content, and the later instruction not to use its answers as legal or professional advice. [2] [3]

A2 · Human in the loop · Not reported
Not reported.

A3 · Monitoring and assurance · Claimed
The city said it reviewed questions to improve answers and offered a feedback form; The Markup's testing found wrong answers five months after launch and after the fixes began. [2] [3]

A4 · Vendor AI · Claimed
Microsoft said it was working with the city to fix the problems, per Reuters; it declined to say what was causing them. [4]

A5 · Agent controls · Not reported
No agents described.

A6 · Standards and regulation · Claimed
The chatbot launched alongside the city's AI Action Plan, which the city said would develop a framework for agencies to evaluate AI tools and risks; no regulator action is reported. [1]

What worked, what did not, what is unproven

WORKED

– The city said the chatbot had given thousands of people timely, accurate answers; no figures were published.

– After the reporting, the city improved some answers, per The Markup.

DID NOT

– The chatbot said landlords did not have to accept tenants with housing vouchers, although source-of-income discrimination is illegal in New York City, per The Markup.

– It said employers could take a cut of workers' tips and that businesses could refuse cash, despite a 2020 city law requiring businesses to accept cash.

– Answers were inconsistent: the same question produced different answers for different testers.

– After new disclaimers told users not to rely on it for legal or professional advice, the chatbot itself said it could be used for professional business advice.

– The city withdrew the chatbot in February 2026 after the new mayor called it "functionally unusable".

UNPROVEN

– Whether any business acted on a wrong answer: The Markup said it was hard to know.

– How many people used the chatbot and how accurate it was overall: Not reported.

– The full cost of running it from 2023 to 2026: Not reported.

Timeline

Oct 2023 City launches the MyCity Business site with a pilot AI chatbot for business owners [1]

Mar 2024 The Markup reports the chatbot gives answers that would break the law if followed [2]

Apr 2024 Mayor Adams says the chatbot will stay online while it is fixed; disclaimers are strengthened [3]

Jan 2026 Mayor Mamdani calls the chatbot "functionally unusable" and names it as a budget saving [5]

Feb 2026 City takes the chatbot down, saying its beta test has ended [5]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: Not applicable. Grade: F, Failure. Proof: Reversed. Level of change: Not graded.

No level assessed: band F, a public-facing chatbot that gave wrong legal information and was later withdrawn. The marker is Reversed because the city took it down.

A public-facing deployment that gave wrong legal information and was later withdrawn by the city. No measured benefit was published beyond the city's statement that it had answered thousands of people.

The SEAM view and lessons learnt

The failure sat at the join between a general-purpose AI service and the city's own rules. The chatbot was presented as a source of trusted official information, yet nobody could tell from an answer whether it was right. Disclaimers moved the risk to the user and did not fix the answers. For a mid-sized or larger organisation, the point is that a public tool giving rule-based advice needs accuracy testing on the high-stakes questions before launch, and a clear test for when to withdraw it.

1. Test answers on legal and regulatory questions before the public sees them.
2. Do not rely on disclaimers to manage wrong answers.
3. Set in advance the accuracy level below which the tool comes down.

Evidence

Score 3 of 4. Independent: testing by The Markup and THE CITY, repeated by Reuters, with the mayor's acknowledgement and the city's later withdrawal of the chatbot.

Evaluation method. Independent press testing: reporters put questions to the live chatbot and checked the answers against city law; no official evaluation was published.

Sources disagree. Mayor Mamdani said the chatbot was costing around half a million dollars. The Markup reports that building its foundations reportedly cost nearly $600,000 and that the cost of maintaining it was not clear.

Status. Closed: the city took the chatbot down by 4 February 2026, saying its beta test had ended.

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/nyc-mycity-chatbot

[1] NYC Mayor's Office: Mayor Adams Releases First-of-Its-Kind Plan for Responsible Artificial Intelligence Use in NYC Government

[2] The Markup: NYC's AI Chatbot Tells Businesses to Break the Law
https://themarkup.org/artificial-intelligence/2024/03/29/nycs-ai-chatbot-tells-businesses-to-break-the-law

[3] The Markup and THE CITY: Malfunctioning NYC AI Chatbot Still Active Despite Widespread Evidence It's Encouraging Illegal Behavior
https://themarkup.org/artificial-intelligence/2024/04/02/malfunctioning-nyc-ai-chatbot-still-active-despite-widespread-evidence-its-encouraging-illegal-behavior

[4] Reuters (via Daily Maverick): New York City defends AI chatbot that advised entrepreneurs to break laws
https://www.dailymaverick.co.za/article/2024-04-05-new-york-city-defends-ai-chatbot-that-advised-entrepreneurs-to-break-laws/

[5] The Markup and THE CITY: Mamdani to kill the NYC AI chatbot we caught telling businesses to break the law
https://themarkup.org/artificial-intelligence/2026/01/30/mamdani-to-kill-the-nyc-ai-chatbot-we-caught-telling-businesses-to-break-the-law

City of New York website: https://www.nyc.gov

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VERSION HISTORY

v1.1 15 November 2026 Method update: technology type set to "not established" where the sources do not say how the system worked.
v1.0 15 November 2026 First published