

## **Executive Summary**

### **NYCHA's Final Amendment to the Annual PHA Plan for FY 2019**

Federal law allows a public housing authority to modify or amend its Annual PHA Plan or "Plan." Significant amendments to the Plan are subject to the same requirements as the original plan.

NYCHA's Final Amendment to the Annual PHA Plan for FY 2019 (the "Final Amendment") is available for public review at NYCHA's Central Office and at each development's management office, as well as on NYCHA's web page ([www.nyc.gov/nycha](http://www.nyc.gov/nycha)). NYCHA also provided a copy of the Final Amendment to each public housing Resident Association President and members of the Resident Advisory Board ("RAB").

NYCHA held a public hearing at the Borough of Manhattan Community College ("BMCC") in Manhattan on February 13, 2019 and accepted written comments on the Draft Amendment through February 15, 2019. Please see the Notice on page 2. NYCHA met with the RAB for their comments on the Amendment at 3 meetings between November 2018 and February 2019 before the Amendment was submitted to HUD for approval on March 21, 2019.

#### ***Public Housing Income Limit Requirements Statement***

By Federal Register notice dated July 26, 2018, the U.S. Department of Housing and Urban Development ("HUD") issued instructions for implementing the mandatory public housing income limit requirements in the Housing Opportunity Through Modernization Act ("HOTMA"). These requirements apply only to the public housing program. Housing authorities must implement these HOTMA requirements by March 24, 2019.

Housing authorities have the option under HOTMA to either evict households with incomes over a certain limit or allow them to remain in public housing and pay higher rent. NYCHA will allow these households to remain in public housing, paying higher rent according to a HUD formula described on page 16.

#### ***NextGeneration NYCHA - Permanent Affordability Commitment Together (PACT)***

NYCHA is committed to protecting the affordability of New York City's public housing stock for this and future generations of New Yorkers. Permanent Affordability Commitment Together (PACT) is NYCHA's preservation initiative to facilitate major improvements to developments with tenant-in-place rehabilitation while preserving long-term affordability and maintaining strong resident rights through effective public-private partnerships. Under PACT, NYCHA, using programs such as HUD's Rental Assistance Demonstration (RAD), converts public housing units to project-based Section 8 units, which provides a more stable flow of federal subsidy and allows NYCHA and its development partners to raise external financing to address the development's capital repair needs. By leveraging federal programs and tools, NYCHA will help improve the quality of life for residents, ensuring their apartments and buildings receive much-needed repairs and upgrades while preserving affordability and tenant protections.

In a PACT transaction, NYCHA retains the underlying fee ownership of the land and buildings and leases them to a new entity formed with the development partner. Being in the ownership structure allows NYCHA to continue to play a key role in decision making and oversight of the development. NYCHA is also the Section 8 contract administrator of the project-based Section 8 vouchers, thus serving as the entity that determines rent, administers the waitlist, and inspects the apartments. Under PACT, all units in the converted development must remain affordable which NYCHA will enforce through legal agreements with the development partner. Residents will continue to have succession rights and grievance procedures under PACT consistent with NYCHA's public housing tenants. Residents will retain the right to establish and operate a resident organization

and receive funding for that group. Finally, development partners will be required to train and hire NYCHA residents, and proactively engage residents on a regular basis as the project moves forward.

**As part of this Significant Amendment to the FY 2019 Annual Plan, NYCHA is requesting HUD approval to use the Section 18 disposition process for some or all units within the developments currently approved or being considered for PACT/RAD conversion, in order to improve the financial stability of NYCHA's PACT/RAD conversions. Resident rights will remain consistent across all developments and residents will continue to pay no more than 30% of adjusted gross income towards rent.**

### *RAD at Scattered Sites in the Bronx and Brooklyn*

Between October 31, 2018 and November 30, 2018, NYCHA closed on three PACT/RAD conversions as outlined below. Extensive capital improvements will be undertaken at all of the sites, including upgrades to roofs, elevators, boilers, security systems, and grounds, as well as apartment interiors, including new kitchens and bathrooms. All rehab work is occurring with tenants-in-place; no residents are being relocated or displaced because of the PACT/RAD conversion.

- **Twin Parks West** in the Fordham Heights neighborhood of the Bronx: this conversion included one building with 312 apartments (including 1 superintendent's unit). NYCHA entered into a public-private partnership with Gilbane Development Company (developer), Dantes Partners (developer), Apex Building Group (general contractor), and Kraus Management, Inc. (property manager). Social services are being provided by BronxWorks. The project is being financed with conventional debt. Total repair work for the project will be approximately \$38 million. Repairs will be completed by 2021.
- **Betances Houses** in the Mott Haven neighborhood of the Bronx: this conversion included 40 buildings across 10 developments with 1,088 units (including 4 superintendent's units). NYCHA entered into a public-private partnership with MDG Design + Construction (developer and general contractor), The Wavecrest Management Team (property manager), and Catholic Charities Community Services, Archdiocese of New York (social services provider). The project is being financed with conventional debt and developer equity. Total repair work for the project will be approximately \$120 million. Repairs will be completed by 2021.
- **Highbridge-Franklin** in the Highbridge and Claremont neighborhoods of the Bronx: this conversion included 14 buildings with 336 apartments (including 4 superintendent's units). NYCHA entered into a public-private partnership with Gilbane Development Company (developer), Dantes Partners (developer), Apex Building Group (general contractor), and The Kraus Organization (property manager). Social services are being provided by BronxWorks. The project is being financed with conventional debt and a subsidy loan from the New York City Department of Housing Preservation and Development. Total repair work for the project will be approximately \$27 million. Repairs will be completed by 2021.

In Spring 2019, NYCHA expects to close on the next PACT/RAD conversion as outlined below:

- **Hope Gardens** in the Bushwick neighborhood of Brooklyn: this conversion will include 61 buildings with 1,315 apartments. NYCHA will enter into a public-private partnership with Pennrose Properties (developer) and Acacia Network (social services provider). Procida Construction will be the general contractor and Pinnacle City Living will serve as the property manager. Financing and repair scope and schedule will be finalized before closing.

This conversion involves the following five developments:

1. Hope Gardens
2. Palmetto Gardens

3. Bushwick II (Groups A & C)
4. Bushwick II (Groups B & D)
5. Bushwick II CDA (Group E)

**As part of the Significant Amendment to the FY 2019 Annual Plan, NYCHA is requesting HUD approval to use the Section 18 disposition process for up to 25% of the units in the aggregate for the following developments previously approved for a PACT/RAD conversion: Bushwick II (Groups B & D), Hope Gardens and Palmetto Gardens. Resident rights will remain consistent across all developments and residents will continue to pay no more than 30% of adjusted gross income towards rent. Bushwick II (Groups A & C) and Bushwick II CDA (Group E) will be entirely conveyed through Section 18 as part of the RAD conversion of the Hope Gardens public housing consolidation.**

### *PACT/Unfunded Units (LLC II)*

In July 2017, NYCHA announced that it is expanding PACT to protect the Authority's unfunded unit portfolio. This portfolio consists of eight (8) mixed-finance public housing developments known as the "LLC II developments," which are ineligible to be included in the federal public housing operating fund and capital fund program subsidy formulas. Previously, NYCHA's PACT initiative was synonymous with RAD. To make significant repairs, more effectively manage the developments, and strategically deploy NYCHA's limited financial resources, NYCHA expanded PACT to create additional public-private partnerships and actively bring the unfunded units into the Authority's Housing Choice Voucher (Section 8) project-based program.

The LLC II developments were originally built and funded by New York City and New York State subsidies but were never funded directly by HUD. These developments currently "share" in the federal funds provided for NYCHA's public housing. This has cost NYCHA more than \$23 million a year in operating funds. Additionally, per the 2017 Physical Needs Assessment, the eight developments require more than \$1 billion in capital repairs, but while they remain unfunded, the buildings continue to deteriorate.

Converting all the units to the Section 8 program will bring new, stable revenue to these LLC II developments and allow for substantial improvements to be made to the apartments, buildings, and grounds. Additionally, funding previously diverted to these developments from the rest of NYCHA's portfolio will now go towards the operation and maintenance of NYCHA's traditional public housing developments.

On September 11, 2008, HUD approved NYCHA's plan to transition the unfunded public housing units to Section 8 assistance. Currently, when a resident vacates their apartment in an LLC II development, the Authority converts the unit to Section 8. Through this process, 2,019 units in the eight developments became part of Section 8 between 2008 and 2018. Through PACT and under 2 CFR Part 200 retention, the remaining 3,658 unfunded units will convert from public housing to Section 8. This PACT strategy is an unprecedented financing model to support these apartments, prevent them from falling into complete disrepair, and protect their affordability and residents' rights.

On December 3, 2017, HUD approved NYCHA for a retention action pursuant to 2 CFR Part 200 for 14 buildings with 722 apartments at Baychester and Murphy Houses in the Bronx. HUD had previously approved NYCHA's Significant Amendment to the FY 2017 Annual Plan for the retention action at Baychester and Murphy on November 22, 2017. On December 28, 2018, NYCHA closed on this PACT/Unfunded Units conversion by entering into a public-private partnership with MBD Community Housing Corporation (developer and social services provider), Camber Property Group (developer), and L&M Development Partners (developer and property manager). Social services are also being provided by BronxWorks. The project is being financed with conventional debt with a perm takeout by the New York City Housing Development Corporation. Total renovation work for the project will be approximately \$88 million. Repairs will be completed by 2020.

As part of the Amendment to the FY 2018 Annual Plan, NYCHA requested HUD approval for a retention action pursuant to 2 CFR Part 200 for Independence Towers and Williams Plaza in Brooklyn. NYCHA began community engagement and resident conversion activities at these developments in March 2018. HUD approved NYCHA's Significant Amendment to the FY 2018 Annual Plan for the retention action at Independence Towers and Williams Plaza on September 14, 2018. NYCHA anticipates selecting a development partner for these sites in early 2019.

NYCHA plans to pursue similar HUD approvals for the remaining four developments in the LLC II portfolio. Through this action, all units in the developments will be operated outside of the federal public housing program under project-based Section 8. Families will be transitioned to Section 8 assistance. Families ineligible for Section 8 assistance will be allowed to remain in place and pay no more than 30% of their income for rent. Completion of the full PACT conversion is expected by 2026.

**In the Significant Amendment to the FY 2019 Annual Plan, NYCHA is requesting HUD approval for a retention action pursuant to 2 CFR Part 200 for the remaining developments in the LLC II portfolio: 344 East 28<sup>th</sup> Street and Wise Towers in Manhattan (where resident engagement began in early 2019 and a development partner will be selected in spring 2019) and Boulevard and Linden Houses in Brooklyn. Through this action, all units in the developments will be operated outside the federal public housing program. Families will be transitioned to Section 8 assistance. Families ineligible for Section 8 assistance will be allowed to remain in place and pay no more than 30% of their adjusted gross income towards rent.**