TESTIMONY FOR NYCHA CHAIRMAN JOHN B. RHEA

NYCHA'S FIVE-YEAR OPERATING AND CAPITAL PLANS

CITY COUNCIL COMMITTEE ON PUBLIC HOUSING

TUESDAY, JUNE 5, 2012 – 12:30 PM

16th FLOOR COMMITTEE ROOM, 250 BROADWAY

Chairwoman Rosie Mendez, Chairman Recchia, Members of the Committee, and other distinguished Members of the City Council: Good Afternoon. I am John B. Rhea, Chairman of the New York City Housing Authority (NYCHA). Joining me today is Acting Chief Financial Officer Andreas Spitzer and Executive Vice President of Capital Projects Ray Ribeiro. Also with us are Vice-Chair Emily Youssouf, Commissioner Margarita López, Board Member Victor A. Gonzalez, and members of NYCHA's senior management team. We are pleased to be here to discuss NYCHA's Five-Year Operating and Capital Plans.

Slide 2: Implementing *Plan NYCHA* Initiatives

Today marks the first time, during my tenure, that NYCHA is testifying on both our Five-Year Operating and Capital Plans at the same hearing, and there is a lot in this testimony that we are excited to share. It outlines how NYCHA, with your help, will work creatively and collaboratively in the next five years to eliminate NYCHA's structural operating deficit, while redirecting resources from administrative functions to our frontline activities, where they directly benefit our residents. It also details how NYCHA is working hard to overcome the challenges of severe underfunding and striving to find new funding sources in our

Capital Plan to maintain the $2.4 billion in planned commitments. We are doing our part to preserve aging buildings and improve services for residents – and we are confident that, working together and with your support, we can build a strong future for safe, quality affordable public housing in New York City.

The plans we will describe for you today demonstrate how NYCHA is transforming itself in order to provide the best possible service to the maximum number of eligible New Yorkers. In doing so, they reflect the unfortunate funding reality we're all familiar with, which continues to threaten the very existence of public housing in New York City. Public housing plays too large a role in the lives of our residents, and the life of New York City, for us to relent in our efforts to strengthen and preserve it for the years to come. The rental assistance we provide gives families a rock to stand on during tough times and good. The communities that grow in and from our developments lay the foundation for full lives. And together, NYCHA and its residents serve as an economic engine that keeps this city of neighborhoods moving forward.

This reality demands that all of us – NYCHA, residents, elected officials, and anyone with a vested interest in seeing public housing survive – stand united in our common mission, be realistic about the immediacy and gravity of the challenges we face, and be unafraid to take bold steps into new territory where traditional funding avenues have shortchanged us. There is room for disagreement and discussion – but not for inaction.

We are here to present to you our plans for moving forward, and we invite your feedback.

Slide 3: Reliance on federal funding and appropriations

The shadow of chronic federal underfunding during the late 90s and through the last decade continues to color our testimonies to this Committee. We could not have presented *Plan NYCHA* to you without describing the fiscal reality that shaped it, and more recently, we could not have reported to you on our management of NYCHA's Section 8 program without acknowledging the impact that cuts and underfunding have had on the way it is administered. However, the cold facts of NYCHA's fiscal situation – a situation facing public housing authorities around the nation – warrant repeating.

Federal subsidies account for 66 percent of NYCHA's total revenues. These subsidies account for about 50 percent of revenues supporting NYCHA's owned public housing stock, and 100 percent of our Housing Choice Voucher (Section 8) program. We receive federal operating funding for public housing based on a complex eligibility formula that is intended to reflect the costs of operating public housing, and therefore, the needed operating resources.

Slide 4: Long-Term Operating Subsidy Underfunding

Subject to an appropriations process, this funding has fluctuated and changed every year, making multi-year planning incredibly challenging. Further, over the long-term, appropriations have substantially underfunded public housing programs. In 2012, the national operating fund appropriation from Congress was $3.962 billion, nearly $1 billion short of national eligibility; NYCHA expects to receive $117 million less than the eligibility formula calls for, representing an 89 percent effective proration. Eligibility is meant to be a direct reflection of how much it costs to run an authority – in simplest terms, NYCHA and other PHAs around the country are being funded at a level substantially below our actual cost of operation, even as determined by HUD. This consistent underfunding is the direct cause of our structural deficit.

Our cumulative funding loss compared to HUD-determined eligibility since 2001 has been over $750 million. To be clear, this is money that our national oversight and funding agency has determined necessary to maintain our functions – and that Congress has not delivered. If NYCHA received the full funding based on HUD's formula, we would not have an operating deficit in 2012 or in any projected plan years, and in fact would have additional resources to hire hundreds of critically needed frontline staff in our developments.

The outlook for the future is continued underfunding. While HUD's 2013 budget requests a funding level of $4.5 billion, which is above the 2012 level, it remains $400-500 million short of our estimates of national eligibility. For NYCHA, this means a funding level in 2013 consistent with that of 2012, and again nearly $100 million short of our estimates of eligibility. Another substantial risk to the 2013 operating subsidy is the potential federal budget sequestration of $109 billion which would take effect in January 2013, resulting in additional proration and funding loss of 9 percent or more. The sequester risk is not reflected in our Plan. An additional funding loss of this magnitude would force NYCHA to seek spending cuts not in the Plan. Each percentage point decrease in NYCHA's proration rate drives a decrease of approximately $9 million in operating subsidy, which would equate to an additional loss of over $80 million in 2013.

Slide 5: Long-term Capital Grant Funding Declines

In addition to chronic underfunding of operating budgets, NYCHA's aging housing stock has suffered from chronically underfunded capital budgets. While the need is great, federal funding available to NYCHA has not kept pace, and in fact has declined dramatically. From 2001 to 2012, the annual federal capital subsidies that provide the vast majority of our capital funding have declined 36 percent, from $420 million to $270 million. In other words, NYCHA has experienced a cumulative annual federal capital grant funding decline of $876 million compared to the 2001 funding level. The chronic capital funding gap has jeopardized the preservation of the public housing assets. As capital needs of aging buildings remain unmet, operating costs such as maintenance and repair increase, further straining operating budgets. Indeed, we are caught in a vicious spiral.

Slide 6: Substantial Unmet Capital Needs

In 2006, NYCHA assessed its maintenance and repair needs. That physical needs assessment estimated that an investment of $25 billion would be needed over the next 15 years to maintain our housing stock in a state of good repair. From 2006 through 2011, NYCHA invested about $2.7 billion against a need of over $9 billion, leaving over $6 billion of capital needs unmet. Through 2016, the period covered under this Plan, unmet needs will grow to about $14 billion if additional funding is not secured, jeopardizing the stability of our housing stock. Lack of funding severely constrains NYCHA's ability to make needed repairs and upgrades to brickwork, roofs, elevators, heating and plumbing systems, and apartment interiors. This work is crucial to keeping our aging housing stock in a state of good repair and directly impacts our ability to deliver services that affect the day-to-day lives of residents, from functioning elevators and ground maintenance to up-to-date heating and plumbing. In addition, the delays in capital work resulting directly from these funding shortages have exposed NYCHA to costly litigation – further undermining our ability to execute these much-needed repairs.

This funding outlook is similar to the one we described for you at last year's hearings. Then, as now, it did not stop us from moving forward and making substantial progress. We are as committed as ever to engaging in innovative work to ensure that public housing and Section 8 continue to effectively and efficiently serve more than 650,000 New Yorkers around the five boroughs. We are responding to these challenges and are taking action. In 2011, with assistance from the Boston Consulting Group, we took a hard look at the efficiency and sustainability of our operations and performed a comprehensive analysis of our organization and staffing. As a result, we've begun the important work of streamlining our operations and redirecting resources to the frontline workers that staff our developments. We have had to think creatively to seek out and identify alternative funding to right a fiscal ship facing a storm of government neglect. Many of the steps we plan to take involve difficult choices. We believe them to be the right choices, and seek your support and advocacy in putting them into effect for the good of our common constituents.

Slide 7: Operating Plan 2012 Revenues

NYCHA's operating budget is maintained in three component funds: the General Fund, which includes all public housing activities; the Housing Choice Voucher Program Fund, which includes all activities in the administration of NYCHA's Section 8 program; and Categorical Grants, which include all other grant programs. All Funds reflects the consolidation of these 3 component funds. In 2012, NYCHA forecasts $2.984 billion in total All Funds revenues. Dwelling rent and federal operating subsidies for public housing account for 60 percent of total revenues, Section 8 Subsidy for HAP and Administrative Fee 35 percent, and the remaining 5 percent consists of various components.

Slide 8: Operating Plan 2012 Expenditures

For 2012, the plan budgeted total All Funds expenditures of $3.062 billion. Salary, overtime, fringe benefits, and other personal service expenditures account for 39 percent of total operating budget spending, Section 8 Housing Assistance Payments 31 percent, utilities 18 percent, and all other expenditures comprise the remaining 12 percent. In total, nearly 60% of NYCHA's expenditures are personal service and utilities – hence our focus on controlling and efficiently managing these expenses and working with HUD to find more flexible ways to fund energy-efficient investment in our buildings.

Slide 9: 2012 Budget Deficit

With $2.984 billion in expected revenues and $3.062 billion in expenditures, the 2012 budget projects an All Funds deficit of $77 million. Of this deficit, $61 million represents NYCHA's structural operating deficit in the General Fund, and $16 million is in the Housing Choice Voucher Program Fund. Deficits are funded from NYCHA's unrestricted operating reserves in the case of the General Fund, and restricted program reserves in the case of the Housing Choice Voucher Program Fund. By our calculations – which include the reserves set aside for substantial liabilities, such as NYCHA's self-insurance program – the unrestricted reserves that fund our General Fund deficits are already below levels HUD recommends, or less than 4 months of operating expenses; and the restricted reserves that fund the Section 8 Program are at less than 1 month of program costs.

Slide 10: Structural General Fund Operating Deficit Eliminated

Achieving the financial rewards of *Plan NYCHA* initiatives, which we will soon discuss, requires significant effort and time. However, we expect the General Fund deficit – approximately $60 million for 2012 and 2013 – to be substantially reduced in 2014 and eliminated in 2015-2016. This does not mean that we are out of the woods. While NYCHA has taken decisive and responsible steps to shore up our deficit, we are still subject to budgetary factors out of our control, as recent years have made all too evident. Nevertheless, the prior operating plan projected a cumulative five-year General Fund operating deficit of about $300 million. Successful execution of *Plan NYCHA* initiatives will reduce the cumulative five year operating deficit by over 50 percent. It is worth noting that in the April 2009 Plan, NYCHA had estimated recurring annual deficits of over $130 million. In the three years since, with the success of Federalization and other initiatives, the annual deficit has been cut by more than half – to about $60 million. Over the next several years, through implementation of the *Plan NYCHA* initiatives, we expect to have balanced budgets by 2015. Again, this will require significant effort and time. Unlike with Federalization, no single initiative will address the full $60 million deficit. Myriad complex, multi-year operational strategies are required – including reducing support function expenses, rationalizing the supply chain and use of office space, and improving productivity through performance management.

Slide 11: *Plan NYCHA* Initiatives

In December 2011, we released *Plan NYCHA*, our five-year roadmap, which we spoke about in detail in two hearings earlier this year. Central to the plan are initiatives to tap into new funding sources, find operational efficiencies, and achieve financial stability. Many of these efforts are already underway, allowing us to reduce our operating deficit and redirect resources to where they are needed most: our developments.

During 2011, along with BCG, NYCHA performed an extensive assessment of its central office cost centers and operations administration, and identified significant opportunities to increase efficiency and streamline support activities. This Plan incorporates initiatives resulting from that assessment to streamline central office and borough administrative office functions and redirect resources to the frontline. By 2016, we expect these initiatives to yield approximately $35 million in annual savings in support functions, allowing us to invest in the frontline staff that work in our developments every day – one of our highest priorities moving forward.

Several *Plan NYCHA* initiatives focus on new investment and redirected resources to strengthen frontline operations, including maintenance and repair work and other property-level services. In early 2012, the City Council committed $10 million for Plan years 2012 and 2013 to help NYCHA hire 176 temporary positions to address maintenance and repair needs. Hiring will be through NYCHA's resident training program partnership with the Robin Hood Foundation, providing opportunities for employment for NYCHA public housing residents. This commitment is an excellent start, but our need remains great. While this budget assumes the funding is provided for only one year, NYCHA requests that the City Council renew its funding commitment throughout the five-year plan, allowing us to maintain these positions into future years. NYCHA greatly appreciates the City Council's commitment, and will continue working with its governmental partners to pursue additional funding opportunities to address maintenance and repair needs.

In addition, this plan allocates $27 million of incremental funds for frontline operations annually. By 2014, this will allow us to hire about 225 more front line workers. This re-alignment, combined with efficiencies in borough administrative functions, is expected to allow Operations to add a total of 300 frontline positions by 2016. While a detailed hiring plan is still being developed, it is expected that resources will be used to hire additional maintenance workers and skilled trade professionals to further address NYCHA's maintenance and repair backlog.

Our budget also outlines how we will tap into ancillary revenues, including increased commercial income from rooftops and storefronts, increased parking fees, new advertising and sponsorship opportunities, and subleasing excess office space within our administrative portfolio. We believe advertising and sponsorships represent a particularly unique and attractive opportunity, and will pursue these under strict guidelines and with residents' input. In fact, in conversations leading to the development of *Plan NYCHA*, residents and resident leadership consistently pointed to advertising and sponsorship as great opportunities for potential revenue. Their input has been invaluable in establishing preliminary guidelines for acceptable use and placement of advertising. We will continue to work with them to ensure that this initiative has the maximum positive impact on resident quality of life as well as the aesthetic of our developments and the surrounding communities.

As you well know, NYCHA owns and operates 21 developments originally built by the City and State of New York, which for many years did not receive any dedicated form of subsidy. To sustain housing for the 20,100 families that call these developments home, NYCHA had to dilute the resources of the remaining public housing portfolio. Under a 2008 HUD-approved plan, NYCHA was authorized to convert 8,400 public housing units which received no funding at all into Section 8—funded units. Of the 8,400 units covered by the plan, 2,661 have been converted to the Section 8 funding model as of December 31, 2011. Over 5,700 public housing units therefore still receive no dedicated federal subsidy, significantly contributing to NYCHA's current structural operating deficit.

This budget includes an initiative to complete conversion of 3,000 of the remaining 5,700 unfunded public housing units to the Section 8 model beginning 2013. Through this initiative, subsidy income for the 8,400 units is projected to nearly double from $38 million in 2012 to $74 million in 2016. This initiative is crucial to closing our budget gap – if funding is not secured, we face a real and near-term risk of losing these units as affordable housing. We have an opportunity to secure this funding through the conversion plan, and a responsibility to act on it.

NYCHA is also undergoing a fundamental change in rent policy to ensure greater fairness while increasing revenue. For years, the highest-income residents have generally borne a lesser rent burden than the lowest income families. There are currently over 47,000 public housing households that pay less than 30 percent of income in rent, as generally required by HUD regulations, the majority of which are higher-earning families. This is unfair, regressive, and inconsistent with public housing's basic mandate to provide assistance in proportion to need. We will gradually raise rents on these households up to 30 percent of income subject to the HUD-established affordable fair market rent. Residents have come out strongly in favor of this initiative and have lent their voices to our efforts to implement it. The vast majority of public housing families, over 70 percent, already pay 30 percent of income in rent and will not be affected.

In these Plan years NYCHA will continue to pursue new opportunities to use our substantial land resources to facilitate the development of affordable housing and bring other vital resources to the community. These development opportunities will play an increasingly important role in the future in addressing our capital shortfall. We are developing a long-term plan that best utilizes our resources to meet the needs of the community, serve residents and their families, better integrate our developments into the larger city, and generate revenues to reinvest in our buildings. While we have a number of development projects in the pipeline, they are not incorporated into this plan as their details have yet to be finalized. We look forward to keeping you updated as they become final.

Slide 12: Section 8 Program Overview

In 2011, NYCHA oversaw the expenditure of almost $1 billion in Section 8 subsidies to more than 32,000 private landlords, providing rental assistance to more than 250,000 New Yorkers in over 94,000 rental apartments citywide. Our Section 8 funding, 100 percent of which is provided by the federal government, is divided into Housing Assistance Payment Subsidies (HAP) and Administrative Fees.

Between 2005 and 2011, NYCHA's rental subsidy has been reduced by over $140 million. Of this loss, $50 million of was due to proration, and $90 million was due to HUD's recapture of reserves. As a result, HAP reserves levels have declined to less than one month of program costs. Therefore, the number of families NYCHA can serve is primarily influenced by annual appropriations, or renewal funding. NYCHA expects its renewal funding for HAP to increase modestly consistent with national renewal funding. Increased funding is expected to allow for HAP spend to increase from an estimated $998 million in 2012 to $1.133 billion in 2016, or a 3 percent compound growth rate.

Slide 13: Section 8 Program Reserves Forecast

The five-year Section 8 plan projects a deficit of 16 million in 2012 which will be funded from restricted program reserves. In 2013 and 2014 the HCV program is projected to have surpluses of $2 million and $7 million respectively, modestly replenishing the program's reserves. However, by 2015 and 2016 deficits are projected to be around $17 to $18 million annually, and will be funded from program reserves. As a result, over the five year period, we forecast that program reserves will decline from $68 million as of year-end 2011 to $25 million by 2016. In all periods, we are operating with reserves of less than 1 month of program costs, leaving a very thin margin for error in projecting required voucher assistance payments. Administration of the HCV program requires prudent stewardship over both annual funding resources and program reserves, while balancing the many different needs of voucher recipients, developers, and landlords.

Slide 14: 2011 Capital Plan Highlights

I'd like to turn our attention to the Five-Year Capital Plan now. We have given you the details on the continuing underfunding of NYCHA's capital needs. These needs remain great, and remain a daunting challenge as we seek to maintain our housing stock as a viable resource for future generations. However, the challenges have not broken our spirit. On the contrary, 2011 was a dynamic year for NYCHA as we invested in critical capital improvements from brickwork and roof replacements to the opening of new state-of-the-art community centers.

2011 saw NYCHA deliver the last in a string of important victories related to the American Recovery and Reinvestment Act. In March 2009, thanks to diligent and comprehensive efforts to identify projects around the five boroughs, NYCHA was awarded $423 million of ARRA stimulus funding, the largest grant given to any public housing authority in the nation. These ARRA funds were used to complete critical brickwork, roof replacements, elevator upgrades, and heating and plumbing repairs, as well as to purchase energy-efficient refrigerators and stoves for residents. The funding also enabled NYCHA to complete the mixed finance "Federalization" transaction in 2010, qualifying almost 12,000 unfunded public housing units for federal operating subsidy. Residents further benefitted from ARRA spend through NYCHA's efforts to promote resident hiring with its contractors. Over 730 residents were hired for ARRA-funded work at NYCHA developments. In early 2012, NYCHA fully expended its ARRA grant.

When I was appointed Chairman in 2009, there were five new community centers under construction. Each of these projects faced steep challenges which affected their progress, resulting in unacceptable multi-year delays. In response, we created a task force that met weekly for over a year to find solutions to the hold-ups and worked with the Departments of Buildings and Health to expedite permits, while continuing to work on the centers. I'm happy to announce that today all of these centers have been issued certificates of occupancy and are opened for use. There are now brand-new, state-of-the-art facilities at Polo Grounds, Stapleton, Johnson, Richmond Terrace, and Bayview Houses, all providing vital resources for residents and other members of the community.

In 2011, we also invested approximately $100 million in work at Whitman-Ingersoll Houses in Brooklyn. Since this project began, it has included the renovation of over 1,100 apartments and the replacement of 93 elevators and multiple roofs. We also made great strides in our renovation work at Johnson Houses.

We also completed modernization projects at thirteen properties in the recently federalized developments. These included elevator projects at Chelsea and Murphy, a boiler project at Wise Towers, and building envelope improvements at eleven developments. Projects at the other eight federalized developments will be completed in 2012.

Slide 15: *Plan NYCHA* Initiatives Bridging the Gap

NYCHA's 2012 Five-Year Capital Plan provides $2.4 billion for planned commitments for infrastructure improvements, major modernization, and other systemic upgrades. The Plan takes into account the severity of the current federal funding outlook but is emboldened by many critical *Plan NYCHA* initiatives to keep our work moving forward and bridge the funding gap.

This Five-Year Capital Plan reflects the priorities outlined in *Plan NYCHA*, from preserving the public and affordable housing asset, to developing new mixed-use, mixed-income housing, to ensuring long-term financial stability. Together, these efforts will enable NYCHA to maintain prior plan capital commitment levels of $2.4 billion despite an anticipated $297 million reduction in annual federal capital grant awards over the five-year planning period.

We are also taking a number of steps to tap into additional funding sources. In the prior Capital Plan, NYCHA intended to complete a $300 million bond issue through HUD's Capital Fund Financing Program. We have increased the planned bond issue from $300 million to $500 million to partially offset the expected loss of annual federal capital funds, as well as to accelerate the completion of critically needed capital work, including rehabilitating building envelopes and installing new roofs.

We are also expanding our collaboration with city partners who share our goals. The recent commitment by the City Council of $10 million in additional capital funding and commitments from other elected officials increase the City's total contribution to this budget by 20 percent over the prior plan.

Finally, alternative funding will also help us rehabilitate developments that consist of contract-based Section 8 units. These buildings have not received appropriate levels of investment and need substantial capital work. The long-term, contract-based nature of the HUD subsidy for these properties provides a predictable source of income and cash flow that may be leveraged. Consistent with *Plan NYCHA's* goal to pursue alternative funding options, NYCHA intends to maximize cash flow from these developments and complete a structured financing to bring these properties to a state of good repair. This new initiative will raise the capital needed to perform critical rehabilitation work at these properties and help to preserve them as affordable housing units for the long-term.

Slide 16: Capital Plan Sources

Of the total $2.4 billion expected sources in this Plan, 68 percent are from Federal Capital Grants, 21 percent from the Bond issue, 7 percent from the City, and 3 percent from the contract-based Section 8 property initiative.

Slide 17: Capital Plan Uses

This Plan commits $2.4 billion for planned uses, including over $600 million for brickwork and roof work, over $200 million for heating and plumbing work, and over $200 million for elevator replacements. We will maintain our aggressive capital commitment for modernizing the inventory of over 3,300 elevators. The investment of both capital and operating resources over the last three years has yielded a marked improvement in elevator service, resulting in decreased elevator outage time, increased elevator uptime, and reduced elevator-related injuries.

In many ways this plan marks a departure from business as usual – not just in identifying new funding streams, but also in its strategic investment in top-to-bottom modernization. We are taking a focused, comprehensive approach to bring developments into a state of good repair one by one, rather than the incremental approach that for too many years involved patchwork repairs where more substantial measures were needed. The Plan has programmed $125 million of additional funding for improvements at almost 70 different buildings at Morrisania Air Rights, Mitchel, Harlem River, Dyckman and Sotomayor, bringing total commitments at these properties to $175 million. This investment will address a significant portion of the capital needs at Sotomayor, and complete all of the capital needs at the other four developments, greatly improving quality of life for almost 6,000 families. That these major projects – focused on a few developments alone – will cost an estimated $175 million dollars offers insight into the heavy costs of repairing these aging buildings, as well as the difficult tradeoffs involved in prioritizing scarce resources against our capital needs.

The Plan also includes $35 million for the installation of 176 energy-efficient instantaneous hot water heaters as well as planned energy conservation initiatives at Cooper Square and Kingsborough. Additionally, replacement of indoor and outdoor compactors will improve safety and quality of life for tenants and reduce workplace injuries for NYCHA employees. This plan provides $11 million for trash compactor replacements, an increase of $2 million from the prior plan.

Slide 18: Budget Request

Our Five-Year Operating and Capital Plans make the most of the resources we have at our disposal and lay a strong groundwork for future stability. They identify possibility and act on potential, and they will leave NYCHA stronger, safer, and more responsive to customer needs.

However, the support and advocacy of the City Council will be crucial as we pursue key *Plan NYCHA* initiatives to deliver needed capital work and eliminate the operating deficit by 2015. The Council's $10 million dollar commitment will have a significant impact on our efforts to accelerate reduction of the work order backlog through hiring more workers – including NYCHA residents – and providing them with the tools and supplies needed for faster and more effective responses to repair requests.

Further funding would result in even greater strides forward, and even greater benefits to residents as wait times to complete repairs are reduced and living conditions and quality of life are improved. In total, the last two plans have dedicated over $30 million of incremental NYCHA resources annually towards frontline maintenance and repair activities. NYCHA requests its City partners to match this funding. An additional $30 million annually would enable NYCHA to hire some 500 more workers and complete some 100,000 more work orders each year.

NYCHA also asks for support as we execute the Section 8 rental plan to balance the competing demands of many stakeholders – including the 100,000-plus New Yorkers on the Section 8 waiting list, private landlords, and developers – with our need to secure funding for 5,700 unsubsidized public housing units. This initiative will introduce a steady and continuing funding stream for units currently receiving no dedicated form of subsidy while providing firm protections for residents and ensuring appropriate staffing levels at the affected developments. Again, this funding is fundamental to our ability to close the budget gap and keep these units as affordable housing. We also seek your support as we pursue new advertising and sponsorship revenues.

Lastly, to help achieve our *Plan NYCHA* goal of improving customer service, we seek greater flexibility in work hours for frontline employees, so that repairs and maintenance can be performed at times most convenient to residents and at an economically feasible cost. Unlike many city agencies, NYCHA is truly a 24/7 operation – therefore, we need a full staff at our developments at all times. As highlighted in this testimony, we also seek to redirect resources to frontline functions, where they most directly impact the quality of life of residents.

We point to these initiatives because, as with any step that marks a departure from precedent, they are likely to encounter resistance. Of course, in a world of unlimited resources, there are no hard choices or unpopular initiatives. That is not the world we, or the New Yorkers we all serve, are living in. These budgets assess the world we do live in and offer concrete plans of action. Inaction is also an option – but given the circumstances we face will certainly result in failure to achieve the goal we all share: providing the best possible service to the maximum number of eligible New Yorkers.

In response to the unprecedented challenges facing us today, NYCHA is undertaking a major transformation needed to preserve the precious public housing asset in New York City. Our 11,000-plus employees work creatively and tirelessly every day to improve services for residents and ensure that public housing and Section 8 remain vital resources for future generations – but our efforts alone will not be enough. We are again calling on all public housing stakeholders – residents, NYCHA employees, policymakers, advocates, and all New Yorkers – to join in this fight. Thank you and we welcome any questions you may have at this time.

Slide 19: Questions & Answers