

TESTIMONY FROM NYCHA CHAIR & CEO GREG RUSS
EXECUTIVE BUDGET HEARING – PUBLIC HOUSING
COMMITTEE ON PUBLIC HOUSING WITH THE COMMITTEE ON FINANCE
MONDAY, MAY 23, 2022 – 12:00 PM
REMOTE HEARING (VIRTUAL ROOM 1)

Chairs Avilés and Brannan, members of the Committees on Public Housing and Finance, other distinguished members of the City Council, NYCHA residents, and members of the public: good afternoon. I am pleased to be joined by Chief Operating Officer Daniel Sherrod, Executive Vice President of Finance and Chief Financial Officer Annika Lescott-Martinez, Chief Asset and Capital Management Officer Shaan Mavani, Chief of Staff Joey Koch, and other members of NYCHA's team.

Thank you for this opportunity to present updates on the Authority's financial outlook as well as our progress to transform this organization and improve residents' quality of life. First, I'd like to acknowledge the efforts and dedication of our finance department, as NYCHA was recently recognized for excellence in financial reporting by the Government Finance Officers Association of the United States and Canada.

Funding Updates

During our preliminary budget testimony before the Council in March, we discussed the critical juncture we're at – in terms of how we must generate the funding our buildings desperately need and how we are strategically investing the limited funding we do receive to most benefit residents. Today I'd like to provide you with some updates on our vision and our mission, including our work to deliver better services for residents through the HUD Agreement and our Transformation Plan as well as our efforts to comprehensively rehabilitate and improve residents' homes.

Based on preliminary information, we expect that we will receive more federal operating funding than initially anticipated. This will help close our \$35 million deficit for 2022 and address the continued losses in rent collection, which has decreased significantly since the onset of the pandemic. We received a \$709 million federal capital grant award, over \$100 million more than last year. We are grateful to our representatives in

Washington, who are bringing attention to the vast needs of public housing across the nation.

We are also receiving an additional \$81 million for about 5,700 Section 8 vouchers for homeless individuals (or those at risk of becoming homeless) and victims of domestic violence or human trafficking.

We are also incredibly grateful for the City's support. We expect to receive \$423 million in operating funds from the City this year through the Executive Plan.

The State has allocated \$300 million in funding for NYCHA this year; we will work with the State Legislature and the Governor's Office on a plan to use these funds to upgrade our properties.

Our outlook on expenses has not changed. We continue to hire staff to meet budgeted staffing levels at the properties, and to help address the massive demands of our aging buildings.

Transforming NYCHA and Residents' Quality of Life

We are making progress with elements of our Transformation Plan, which envisions potential operational and organizational changes that will improve customer service and responsiveness to conditions at our developments, ensure that large projects are completed in a timely manner, and promote accountability through property management performance metrics. The plan's initiatives will enable us to manage our properties better and use our limited funding more effectively, all while improving the quality of life for residents.

Our Neighborhood Model, which creates smaller property management portfolios and brings more decision-making and resources to developments, is a vital part of these efforts. To strengthen property-based budgeting, we have been training all our property managers and some of our resident leaders on budget concepts and processes.

Another critical piece of these efforts is our Work Order Reform initiative, which assigns skilled trades staff (such as painters and plasterers) to developments and “Neighborhoods” to ensure faster repairs. It also simplifies the repair scheduling process for residents, allowing all related work orders for a repair to be scheduled at once through one phone call (rather than sequentially, as each work order involved is completed). We began rolling out Work Order Reform by borough in November, and it will be in place citywide by the end of this year. Our budget provides funding to hire additional skilled trades staff for this important initiative.

We revised our janitorial scheduling to allow site-based schedules for our caretaker staff that are designed by the property managers to meet their unique site needs. Also, caretakers are now assigned to specific buildings, allowing for increased accountability to ensure our properties are clean and maintained.

To provide greater transparency to residents and stakeholders on the progress of NYCHA’s capital investments, last month we launched a publicly accessible online tracker that presents details and status for each capital project. We will add additional information and functionality to this tracker based on resident feedback. And we are implementing a broader set of initiatives to improve capital projects delivery and outreach with residents and stakeholders as part of the ongoing transformation efforts in our Asset and Capital Management Division.

We also continue to strengthen and streamline our organization’s leadership as part of our Transformation Plan. And we will continue to engage with residents, staff, and other stakeholders to incorporate their feedback as we bring the Transformation Plan’s strategies to fruition.

Revitalizing and Preserving Our Properties

While we transform our organization, we must also transform our buildings. Our aging buildings need more than \$40 billion in major repairs – an astonishing figure that

grows at the rate of about a billion dollars a year. Unfortunately, it is impossible to keep up with the demands of our deteriorated properties through government funding alone. Addressing the issues driven by the condition of our buildings – leaks and mold and failing building systems – is costly, and we are already spending more than we receive for the basic operation and maintenance of our developments. Instead, we want to invest in our properties themselves – with a sustainable, realistic model that brings them the total renovations and upgrades they desperately need – instead of investing in stop-gap repair solutions.

With our PACT preservation initiative, we are bringing comprehensive repairs and upgrades to at least 62,000 apartments while safeguarding resident rights and protections. To date, PACT has generated more than \$3.4 billion in capital funding for comprehensive apartment renovations and building infrastructure improvements for nearly 15,500 households: brand-new kitchens and bathrooms, upgraded building systems (like elevators and boilers), and improved grounds and common areas (including playgrounds and security systems). Approximately \$579 million in renovations have already been completed, and this quarter, \$714 million in capital repairs will be completed across 12 developments in Brooklyn.

Across the city, \$2.1 billion in investments are underway or will begin this year. Another 19,700 households are part of active projects in the process of resident engagement or pre-development. In total, NYCHA has more than 35,000 apartments completed, in construction, or in a stage of resident engagement or pre-development.

We have also launched our Comprehensive Modernization program at two developments, St. Nicholas and Todt Hill Houses. Comprehensive Modernization focuses on holistic capital improvements rather than just repairs of individual building components (which has largely been the focus of our capital work). Supported by \$450 million in our City Capital Action Plan, this approach will address all HUD Agreement compliance areas while renovating the buildings and grounds at these sites.

On April 26, we hosted an event with Council Members and staff focused on our capital projects, PACT, and the Comprehensive Modernization program. We hope to meet with all Council Members individually over the coming weeks and months to further strengthen our partnership in service of NYCHA residents.

The Path to a Portfolio-Wide Rehab

To ensure that all of NYCHA's residents have the buildings and apartments they deserve, regardless of the funding levels from Washington, we must make our proposed Public Housing Preservation Trust a reality, along with PACT and our other housing preservation programs. These initiatives protect residents' rights while transforming their homes into a beautiful place to live.

We are currently working with our partners in Albany to establish the Trust through updated legislation. We have been speaking with residents from around the city over the past two years to get their feedback and recommendations on the Trust idea. From these conversations, it's clear that residents must have more control, ownership, and decision-making over the future of their developments. And so, the most recently introduced version of the Trust legislation enables residents to choose whether to move forward with renovations at their development and which renovation program they'd like to use. The updated legislation also allows residents to be part of the process for selecting vendors to rehabilitate their development and serve on committees that check the quality of this work.

The Trust would be effective because it can access additional federal subsidy that we can't currently access, and through procurement enhancements, it can deliver high-quality repairs and improvements faster. Creating the Trust is vital, as it would allow NYCHA to complete billions of dollars in total building renovations while keeping a public workforce and preserving NYCHA employees' jobs, maintaining residents' rights, and keeping our properties 100 percent public.

While we revitalize residents' homes, we'd be providing residents with jobs and job training generated by all the construction work – as well as a much-needed boost for our local economy.

Working Collectively and Effectively for Residents

Residents should not have to suffer any longer through a constant torrent of issues, from bursting pipes and leaking ceilings that lead to mold, to pest infestations and heat and elevator outages.

Residents are relying on us to take the necessary action now; the very future of public housing in New York City is at stake. Despite the best efforts of our advocates in federal government, it is clear that the only serious and viable plan on the table right now for massive, systemic improvements is the Public Trust. We are continually reminded that we cannot depend solely on federal grant funding alone, and that we must implement creative strategies to bring residents the quality of life they deserve.

The time for a new direction is now. We cannot wait for a persistently dire budget to improve. Please join us in supporting the Public Housing Preservation Trust, so that we can fully rehabilitate every single one of our buildings. We owe it to our current residents, and to the future generations, to invest in our properties now.

Thank you for your support as we strive to better serve residents today, and for the decades to come. We are happy to answer any questions you may have. And we look forward to keeping you updated on our work to create a stronger NYCHA for residents – including by establishing a Public Trust to partner with NYCHA on effective stewardship of our properties.