

TESTIMONY FOR NYCHA CHAIRMAN JOHN B. RHEA

NYCHA'S FIVE YEAR CAPITAL PLAN

CITY COUNCIL COMMITTEE ON PUBLIC HOUSING

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14TH FLOOR COMMITTEE ROOM, 250 BROADWAY, NEW YORK, NY

Chairwoman Rosie Mendez, Members of the Committee, and to all Members of the City Council: it is good to be with you and to have the opportunity to discuss the New York City Housing Authority's (NYCHA) Five Year Capital Plan. NYCHA will approve its Five Year Operating Budget in time for the Council's hearing in May and will present the plan at that time. I am NYCHA's Chairman, John B. Rhea. And joining me this morning are Commissioner Margarita López, Chief Financial Officer Felix Lam and members of NYCHA's senior management team. The Capital Plan I will present today reflects both NYCHA's priorities for strengthening New York City communities and our commitment to improving the quality of life of our residents.

We meet today at a time of great opportunity in our City, but also one of enduring challenges. In such an environment, it is more important than ever that we work together to create meaningful change in the lives of the New Yorkers who count on us. Through his New Housing Marketplace Plan and the ambitious PlaNYC, Mayor Michael R. Bloomberg has been unwavering in his dedication to strengthening neighborhoods and increasing the stock of safe, affordable housing in New York through integrative, innovative, community-minded solutions. NYCHA is committed to the Mayor's vision and we are encouraged by his support.

I want to thank the City Council for the key role you have played in helping to preserve public housing communities. As we discussed when I appeared before this Committee in February, the Council has provided \$30 million in capital funding for closed circuit television cameras and layered access systems, which will go a long way towards making our developments safer places to live. And the Capital Plan I will discuss today highlights the Council's significant contribution to NYCHA's long-term investment in our Green and Energy agenda, as well. So we meet at a time of great opportunity. But seizing this moment and building upon the substantial work NYCHA, this Committee and our partners throughout government and the non-profit and private sectors have already done to preserve our communities, support NYCHA's families and accelerate positive growth in New York City will require us to do even more.

Overview of the 2011 – 2015 Capital Plan

As you know, one of the greatest challenges facing housing authorities is the preservation of our buildings. The Authority's commitment to maintain our housing stock in a state of good repair; improve service to residents; invest in energy-efficient, cost effective technology; and comply with all applicable Federal, State and Local requirements is being performed in an environment where our elected leaders are making difficult, and often stark, economic choices. In 2011, capital subsidies to public housing are proposed to be cut by 43 percent nationwide, or \$1 billion, representing a \$136 million reduction for NYCHA. This cut is not reflected in the budget I am discussing today, but it represents a risk to NYCHA's current Capital Plan. For 2012, disappointingly the federal budget

proposes no additional capital funding for the newly federalized units, representing a loss of \$11 million.

These cuts, unfortunately, come at a time when our communities can least afford them. Independent analysis has determined that public housing communities throughout the United States face a \$30 billion need. In 2006, NYCHA's Physical Needs Assessment (PNA) identified a five-year, \$7.5 billion need to bring our properties to a state of good repair. Our approved Five Year Capital Plan provides \$2.4 billion in commitments for infrastructure improvements, major modernization, and other systemic upgrades. While significant, this is only a third of what we require to fully address the Authority's five year infrastructure investment needs and, according to analysts, falls a half billion dollars short of what is simply needed to keep pace with regular maintenance let alone address our backlog. In other words, every year NYCHA is amassing an additional \$100 million on its maintenance backlog due to lack of funding. In the face of federal shortfalls, we will also experience cuts at the state level. Despite the efforts of some lawmakers, Albany is cutting \$32 million from NYCHA's capital budget by zeroing out funds it historically provided to NYCHA's modernization initiatives. While many of our leaders in government continue to work to address this challenge, the Obama Administration has proposed a set of solutions in the Transforming Rental Assistance (TRA) initiative. While some elements of TRA have drawn controversy, we nevertheless applaud President Barack Obama and HUD Secretary Shaun Donovan for putting forward a comprehensive plan and we are still investigating how TRA could impact NYCHA.

In the meantime, NYCHA is moving forward. When we met last year, I discussed how NYCHA was laying the groundwork for a comprehensive strategy—the Plan to Preserve Public Housing—for fully assessing the Authority’s strengths, as well as our challenges; organizing NYCHA’s assets to support our priorities; and forging partnerships with residents, elected leaders and stakeholders who believe as we do that fostering strong public housing communities is vital to the prosperity of all New York City. Our progress has been significant, but our work is ongoing. As we continue to develop the Plan to Preserve Public Housing, further resident engagement and a strengthened, sustained partnership with elected leaders and advocates is essential.

The Five Year Capital Plan (Plan) I will discuss today provides \$261 million for elevator rehabilitation or replacements; \$461 million for brickwork and roof replacements; \$31 million for addressing our maintenance and repair backlog; and \$34 million for energy conservation initiatives. Most importantly, this Plan will allow us to build upon the achievements we accomplished together in 2010. But make no mistake, it is far from sufficient to address the increasingly stark trade-offs NYCHA must make that will no doubt affect resident living conditions.

2010 Summary

Our signature achievement last year was the successful execution of two mixed finance transactions involving the 21 developments built by the City and State of New York, better known as federalization. Made possible by provisions in the 2009 American Reinvestment and Recovery Act (Stimulus), federalization was the result of a partnership between the public, non-profit and private sectors that

brought an infusion of additional funds to rehabilitate NYCHA buildings. In addition to federalization, not only did Stimulus provide \$423 million to NYCHA for major capital improvements, it also allowed the 21 federalized developments to become eligible for ongoing federal operating and capital subsidy. And through Stimulus funding, NYCHA's contractors have created or retained the full time equivalent of 775 jobs through the fourth quarter of 2010. Today, I am proud to report that NYCHA has fully obligated every Stimulus dollar we received and exceeded the federal government's 60 percent expenditure milestone by expending 67 percent of the Stimulus grant as of February 28, 2011. What's more, all 120 Stimulus funded projects will be completed by March 2012, including the 24 construction projects—primarily to address brickwork, roof improvements and general construction and elevator upgrades—currently underway at the 21 federalized developments.

Capital Plan Highlights

Let me now walk you through a few of the key investments of NYCHA's Capital Plan.

First, this Plan dedicates \$31 million to reducing NYCHA's repair and maintenance backlog. \$11 million will be applied directly toward addressing our longstanding maintenance and repair needs this year, and an additional \$5 million will be allocated per year over the next four years. Over time, NYCHA has faced a threefold challenge of chronically reduced funding levels, staffing constraints and aging infrastructure resulting in 298,452 open work orders today. Through a new initiative developed by our Operations team, NYCHA is

targeting apartments with the most pressing needs or multiple open work tickets to both reduce the time our residents have to wait for repairs and reduce the number of appointments needed to complete repairs. This Plan is designed to dramatically decrease our maintenance and repair backlog.

The Plan has already shown early successes. I am pleased to report that due to intensive maintenance and repair efforts at Bronxchester Houses and the federalized developments of Amsterdam Addition, Castle Hill, Chelsea, Manhattanville, Marble Hill and Rutgers Houses, NYCHA's monthly rate of completion of work orders has increased by nearly 60,000—from 89,190 per month to 148,589 per month—over the last six months.

Second, we remain committed to providing for our residents' basic well-being by ensuring that our elevators operate properly. The Authority has one of the largest elevator fleets in the nation with over 3,300 elevators in its inventory. These elevators perform over three million trips per day and more than one billion trips each year. As you may remember, in 2009 NYCHA launched a comprehensive Elevator Service and Safety Plan that called for modernization of 863 elevators at 97 developments over five years. We later revised that plan and added funding to modernize 975 elevators at 108 developments. To date, we have awarded contracts for the rehabilitation of 292 elevators at 29 developments. And this Plan provides \$261 million for the modernization of the remaining 683 elevators at 79 developments, continuing our commitment to ensure a safe and reliable elevator program for our residents.

Third, even as NYCHA invests in critical maintenance and repair we are committed to ensuring that those investments are energy efficient and cost

effective. The new contracts for NYCHA elevators are designed with gearless AC hoist motors, instead of more traditional geared machines. AC hoist motors are quieter than gears, have a longer life expectancy, save money and are more energy efficient because they release less heat during operation and use less horse power.

Last summer, Corsi Houses received the Authority's first ever "green roof," replacing a leaking concrete pedestrian surface with a lightweight multi-layer growing medium over a roof drainage and waterproofing system. This new surface will reduce local heat gain, dust, smog and noise. It also increases the normal roof life expectancy to over 40 years, while decreasing the heating and cooling costs of the building.

And we continued our longstanding commitment to replace aging roofs with reflective roofs, which also reduce building cooling requirements and overall energy consumption.

Commissioner López has been tireless in her leadership as NYCHA's Environmental Coordinator, and this Plan includes \$34 million to fund a variety of energy initiatives, of which \$30 million will be used to convert domestic hot water tanks to instantaneous hot water (IHW) heaters at eligible buildings. IHW heaters provide hot water upon demand, increasing energy efficiency and reducing fuel costs. What's more, these funds will leverage more than \$250 million of private capital planned to be raised with an energy performance contract through the Department of Housing and Urban Development (HUD). Fourth, with the Council's help NYCHA is fulfilling a longstanding pledge to our residents with the completion of several community centers. Next month, we will

open the Gerard Carter Community Center in Staten Island named in honor of the New York City Police officer who gave his life in the line of duty in 1998. We are also completing work on the South Bronx's McKinley Community Center and thirteen other centers, including Polo Grounds, Richmond Terrace and East Harlem's James Weldon Johnson Community Center, which are scheduled to open by the end of 2011.

As I mentioned in my opening, the Council has been a steadfast partner in working with NYCHA to make our communities more secure. And we look forward to continue working with the Council as we assess the recommendations of NYCHA's Safety and Security Task Force and advance our commitment to improve the quality of life for our residents.

Sixth, NYCHA is working with our partners, including at the Department of Housing Preservation and Development (HPD) and the NYC Housing Development Corporation (HDC) to develop NYCHA property, generate revenue for the Authority and contribute to the long term growth of New York neighborhoods.

One of those joint initiatives is the third and final phase of the Prospect Plaza Redevelopment Project, which will be accomplished through a mixed-finance transaction and will result in the construction of approximately 350 rental units. The project will include both public housing and housing affordable to households earning up to 60 percent of area median income (AMI), as well as retail space, open space and a community center. NYCHA residents will also receive financial planning and management services. All of the initiatives in this

Plan resulted from the three-day community planning workshop that took place last June.

Another is our partnership with HPD to conduct major renovations at Harlem's Randolph Houses through a mixed-finance transaction. Randolph was constructed as 36 five-story Old Law tenement buildings. The planned renovation would group existing buildings to provide for expanded room and improved light and air circulation while maintaining the historic façades. Reconfiguring Randolph's buildings was considered the best approach, as NYCHA is required to maintain the community's existing character under the New York State Historic Preservation Office guidelines for its location. NYCHA has allocated \$40 million for this initiative and the remaining funds will be raised from private sources.

Finally, NYCHA's Local Law 11 need is \$600 million. To partially address this need we will pursue a second bond issuance of \$300 million to accelerate the Authority's modernization program and remediate Local Law 11 violations within NYCHA's portfolio.

Resident Empowerment

As you know, one area reinforced by our Capital Plan and the work we do with contractors is resident employment and, specifically, our commitment to Section 3. When I present NYCHA's Five Year Operating Budget, I will discuss resident employment in detail. But I also want to say a few words today about our efforts to transform how we empower our residents.

For years, NYCHA has been challenged with how to best empower our unemployed and underemployed residents given our limited resources and the lack of a dedicated funding stream to provide workforce development services. While nearly half of NYCHA's families are working families, we still have a significant population of our residents—80,000 across New York City—who are unemployed.

Early in my tenure as Chairman, NYCHA's Board identified expanding economic opportunity to our residents as a core priority, and in August 2009 we formed the Office of Resident Economic Empowerment and Sustainability (REES) to create and implement a strategy to support this commitment.

I am pleased to report that we are already seeing results. The number of NYCHA's Section 3 placements has expanded from 41 in 2008, to 265 in 2009, to 613 last year. And we're working to accelerate that growth.

Another REES initiative, the NYCHA Resident Training Academy, was launched last fall and is a partnership among NYCHA, the Robin Hood Foundation and some of the best employment trainers in New York City—Nontraditional Employment for Women (NEW), Building Works, and Brooklyn Workforce Innovations (BWI). We set a first year goal of training up to 150 residents for a minimum of 75 jobs as NYCHA caretakers or for construction related jobs with NYCHA contractors. To date, there are 96 graduates and 83 are currently working. 77 are working at NYCHA as maintenance aides and caretakers; six are working with NYCHA contractors. We are planning to solidify our expansion strategy in the second quarter of 2011 and expand the Academy in its second year. And we have increased our staffing resources by creating 228 new

caretaker and maintenance aid positions, and our goal is to fill these positions with NYCHA residents.

In short, NYCHA is implementing a new strategy that will create more economic opportunities for our residents and for members of their surrounding communities, including an empowerment model that will support financial literacy, asset building and business development. We are partnering with community-based organizations, sister agencies, philanthropic organizations, community colleges, schools, employers and other key stakeholders to better leverage our resources. And we are working to drive more resources and investment into public housing neighborhoods.

Conclusion

We are in a time of great change, as well as great challenges. If we are to succeed in reinvesting in public housing communities, we will need an increased focus on the risk to those assets. Public officials must play an important role in making our needs a budget priority, particularly given the potential risks we face with the proposed federal budget cuts. In the Plan to Preserve Public Housing, NYCHA has already begun to develop the strategies that can meet and advance our determination to ensure that the invaluable resource and responsibility of public housing not merely endures, but that it thrives. We are committed to forging partnerships that create value—economic, environmental and social—for our communities and our residents. We are committed to bringing investment to NYCHA neighborhoods, including private and non-profit capital through mixed-finance transactions, which will preserve housing and also create new homes,

particularly priorities like senior housing. And we are taking action to empower our residents to be co-owners of the effort to strengthen and secure our communities.

This work will take all of us. NYCHA is grateful to Mayor Bloomberg and to the City Council for standing with our residents. But there is so much more to be done. As we continue to develop the Plan to Preserve Public Housing and, ultimately, implement our strategy, we look forward to working with each of you to make public housing and all New York City stronger one family at a time. Thank you and I look forward to your questions.