

Executive Summary

NYCHA's Final Amendment to the Annual PHA Plan for FY 2017

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 2017 (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). NYCHA will also provide a copy of the Final Amendment to each public housing Resident Association President.

NYCHA held a public hearing at the Borough of Manhattan Community College ("BMCC") in Manhattan on September 6, 2017 and accepted written comments on the Proposed Amendment through September 8, 2017. Please see the Notice on page 2. NYCHA met with the Resident Advisory Board ("RAB") members for their comments on July 13, 2017 and September 7, 2017.

PACT Program for Unfunded Units

On July 13, 2017, NYCHA announced it is expanding the Permanent Affordability Together Commitment (PACT) program to protect the Authority's unfunded unit portfolio. The unfunded unit portfolio, consisting of the 8 developments known as the LLC II developments, are listed in Attachment B. PACT is a NYCHA program to make major improvements to developments while preserving long-term affordability and maintaining strong resident rights through public-private partnerships.

Previously, NYCHA's PACT program was synonymous with the federal Rental Assistance Demonstration (RAD). PACT now includes portfolios financed by RAD as well as the unfunded unit portfolio.

Federal disinvestment in public housing has resulted in a severe funding gap and \$17 billion in unmet infrastructure needs. To make significant repairs, more effectively manage the unfunded unit portfolio and strategically deploy NYCHA's limited financial resources, the unfunded unit portfolio will join PACT.

The unfunded unit portfolio currently receives no public housing funding. To finance badly needed repairs at these developments and preserve their affordability, NYCHA is expanding PACT to create a public-private partnership and bring these units into the Authority's Housing Choice Voucher (Section 8) program. PACT's key principles, which apply to both the RAD portfolio and the unfunded unit portfolio, include protecting long-term affordability and guaranteeing strong resident rights. This is accomplished by shifting the funding source for apartments to NYCHA's Section 8 program and creating a public-private partnership with management and development partners to raise funds, complete badly needed repairs, including roof replacements, façade repairs and enhanced security features, and efficiently oversee day-to-day operations. By switching to Section 8, residents will have stable funding and guaranteed rights.

The LLC II developments were originally built and funded by City and State subsidies but never funded directly by HUD. These developments currently "share" in the federal funds provided for NYCHA's public housing. This costs NYCHA more than \$23 million a year. Additionally, the 8 developments require \$775 million in capital repairs, but while they remain unfunded, the buildings continue to deteriorate.

Currently, when a resident vacates their apartment, the Authority converts it to Section 8. Through this process, 1,467 units in these developments are already part of Section 8, and through PACT, the remaining 4,207 unfunded units will convert to Section 8.

Like public housing, residents will not pay more than 30 percent of their income towards rent. PACT residents will have rights similar to those enjoyed by residents in traditional public housing. 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.

Units in the RAD portfolio are currently funded through federal public housing subsidies, whereas the unfunded units receive no direct public housing funding. Thus, these unfunded units are not eligible for RAD because they do not receive direct public housing funding – a requirement of the RAD program. As a result, there is a different financing mechanism for this conversion.

Shifting the units to the Section 8 Housing Choice Voucher program will bring new, stable revenue to the developments and allow for substantial improvements to be made to the buildings. Additionally, funding previously diverted to these developments from the rest of NYCHA's portfolio will now go towards operation and maintenance at NYCHA's traditional public housing developments.

Long-term affordability is guaranteed through multiple mechanisms. First, the Section 8 contract requires long-term affordability. Additionally, NYCHA intends to enter into a long-term ground lease with non-governmental partners who will repair and manage the development. NYCHA will continue owning the land, maintaining a significant stake in the ownership structure and overseeing major decisions.

On July 21, 2017, NYCHA released this Significant Amendment to the Fiscal Year 2017 Annual PHA Plan for public review as part of the conversion process pursuant to 2 CFR Part 200 for the developments. Through this action, all units in the developments will be operated outside of the federal public housing program. Families will be transitioned to Section 8 assistance. Families ineligible for Section 8 assistance due to their income will be allowed to remain in place and pay no more than 30% of their income for rent.

Community engagement began at Baychester and Murphy Houses this summer and the RFP for Baychester and Murphy was released in September 2017 with developer selection planned for early 2018. Community engagement at the remaining 6 developments will begin as soon as HUD approvals for conversion are received. Completion of the full PACT conversion is expected by 2026. Residents and community partners will be updated as soon as additional information or approvals are available.