

**TESTIMONY FOR NYCHA DGM FOR OPERATIONS CARLOS G. LABOY-DIAZ**

FEDERALIZATION

**CITY COUNCIL COMMITTEE ON PUBLIC HOUSING**

**FRIDAY, APRIL 29, 2011 – 10:00 AM**

**16<sup>TH</sup> FLOOR COMMITTEE ROOM, 250 BROADWAY, NEW YORK, NY**

Chairwoman Rosie Mendez, Members of the Committee, and to all Members of the City Council: I am excited to be with you and to have the opportunity to discuss the New York City Housing Authority's (NYCHA) successful completion of the federalization of the 21 developments built by the State and City of New York; what federalization means for the Authority and for our residents; and NYCHA's current progress to rehabilitate and modernize these homes. I am Carlos G. Laboy-Díaz, NYCHA's Deputy General Manager for Operations. And joining me this morning are senior members of NYCHA's Operations team. The last time NYCHA appeared before the City Council to discuss federalization, the conversation was one of optimism and hope. Today, I am proud to report that our optimism has been affirmed and our hope has been fulfilled. With the support of Mayor Michael R. Bloomberg, members of the City Council, the State Assembly and Senate, the United States Congress and the Department of Housing and Urban Development (HUD), NYCHA successfully completed one of the most innovative federalization plans in public housing history by qualifying them for ongoing federal capital and operating subsidies, as well as immediate funds for rehabilitation and modernization work. Taken together, NYCHA will receive more than \$400 million in public and private funding, the majority of which will go to capital improvements that are now taking place and will continue

through 2012. What's more, federalization helped to alleviate a significant drain on the Authority's finances, allowing NYCHA to stop diverting vital resources—nearly \$700 million over ten years—from its federal portfolio to support the 21 developments that for more than a decade received no dedicated federal subsidies.

Today, I would like to bring the Council up to date on NYCHA's progress in meeting and, as you will hear, exceeding HUD's benchmarks for advancing this historic undertaking and the work we're doing in these 21 communities to provide for our residents' safety and well-being and to ensure that these homes are preserved for future New Yorkers.

### The Pressing Need

I want to briefly recap why completing this federalization plan was so urgent to the Authority and to the communities we serve.

The 21 developments represent 20,139 public housing units that are home to more than 45,000 residents living across four of the City's five boroughs.

Although originally constructed with the assistance of the State and City, these homes no longer received (since 1998 for the State developments and 2003 for the City developments) direct operating or capital subsidies, thereby forcing NYCHA to effectively subsidize their operations and maintenance. Coupled with a prolonged decline in HUD operating subsidies during the previous decade, the loss of State and City support had a profound impact on NYCHA's long-term structural deficit. As a result, NYCHA was unable to fully maintain all of its public housing throughout the city, less able to address regular maintenance to

preserve our aging infrastructure; less able to restore our building façades; less able to modernize individual homes; less able to ensure safe, reliable elevator service; and less able to meet our commitment to customer service and improving the overall quality of our residents' lives.

### The Opportunity Created by Federalization

With no solution in sight, and NYCHA's structural deficit growing by millions year after year, the 2008 presidential election proved to be a watershed moment for public housing, as well as the entire nation. Only the second piece of legislation approved by the 111<sup>th</sup> U.S. Congress and signed into law by President Barack Obama, the *American Recovery and Reinvestment Act of 2009*, more commonly known as the Stimulus bill, included \$13.61 billion for public housing developments and programs administered by HUD with nearly 75 percent of the funding allocated to state and local recipients. As you know, NYCHA received \$423 million of Stimulus funding. But as importantly, by suspending the restrictions of the 1998 Faircloth Amendment—which barred additional federal funding for new public housing units—Stimulus also provided a one-time opportunity to qualify the 21 now fully federalized developments for ongoing federal operating and capital subsidy.

Adhering to the legislation's guidelines, NYCHA used a mixed-finance model to develop these properties. We also successfully obligated every Stimulus dollar we received before the federal government's March 17, 2010 deadline 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 Stimulus funds projects will be expended by March 2012.

### Federalization Overview

After completing an assessment of the properties' capital needs and operating profiles, NYCHA separated the 21 now fully federalized developments into two portfolios to take full advantage the Stimulus funds' leveraging potential, as well as all tax credits generated by the mixed-finance transaction.

NYCHA Public Housing Preservation I, LLC (LLC I) is the tax credit portfolio. It contains 13 developments and represents our partnership with Citi Community Capital. NYCHA Public Housing Preservation II, LLC (LLC II) is the non-tax credit portfolio. It contains eight developments and represents our partnership with the Housing Partnership Development Corporation (HPDC).

Citibank has joined NYCHA in the ownership of these properties as part of their participation in the low income housing tax credit (LIHTC) program. They are investing in the properties in exchange for being able to take a tax credit on their federal income tax return. NYCHA sold 13 developments to NYCHA Housing Preservation I, LLC, a limited liability company comprised of NYCHA I HDFC, a wholly owned subsidiary of NYCHA and Citibank. NYCHA sold eight developments to NYCHA Housing Preservation II, LLC, a limited liability company comprised of NYCHA II HDFC and NY Housing Partnership, a non-profit entity. NYCHA is using the funds Citibank is investing to fund necessary capital improvements. This is how most affordable housing development and revitalization is funded in the United States today. Furthermore, Federalization

will benefit the residents in that NYCHA will be able to carry out rehabilitation activities they would otherwise be unable to afford. The residents are seeing the benefits as NYCHA carries out rehabilitation activities at the properties during 2011 and 2012.

NYCHA kept its promise that the tenancy rights of all existing residents would be protected and that the families who live in the 21 developments would not be relocated from their homes, would continue to benefit from public housing rent schedules, protections and programs and that, if anything, their quality of life would improve.

#### Construction Status Update

- Physical work is actively underway at all 21 developments
  - 13 in LLC-I
  - 8 in LLC-II
- There are 24 projects in progress at the 21 developments, including 16 roof replacement & façade repair projects, 5 elevator rehabs, 2 building entrance upgrades, 1 heating system upgrade.
- The first four LIHTC projects scheduled to be completed in 2011 remain on or ahead of schedule (Rutgers- 4/11, Amsterdam Add. 6/11, Castle Hill 9/11, Marble Hill 9/11). The next two LIHTC projects (Manhattanville -1/12 and Chelsea – 4/12), are currently ahead of schedule and will be completed by 12/11.

- The remaining seven LIHTC projects are on schedule to meet their planned 2012 completion dates.
- For LLC2 all projects are on schedule to be completed in 2011
- 7 projects are 99% completed, 4 projects are currently 70%-85% completed, 9 projects are currently 50%-69% completed.

### Conclusion

What seemed to be an impossible challenge is today a reality. The 21 State and City built developments are now fully federalized. They are now eligible for ongoing federal operating and capital subsidy. And the resources provided by the Stimulus bill were successfully leveraged to bring needed private investment to these communities.

But, as I've outlined, our work is not done. As our residents can attest, NYCHA is now doing the urgent work to repair and modernize these developments, ensuring their long-term sustainability. And while federalization was a unique opportunity, it will serve as a model for future partnerships to not only preserve NYCHA's homes, but to also foster the healthy, vibrant public housing communities our city so richly deserves.

Now, I would like to take the Council through a presentation showing, in greater detail, our current progress on rehabilitating and modernizing the 21 developments.