

Executive Summary

NYCHA's Final Agency Plan for FY 2015

Federal law requires the New York City Housing Authority (“NYCHA”) to develop, with input from public housing residents, Section 8 participants, elected officials and the public, a plan setting forth its major initiatives for the coming year.

The Final Agency Plan for FY 2015 is available for public review at NYCHA’s Central Office and 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 Draft Agency Plan to each public housing Resident Association President.

NYCHA held six town hall meetings during June and a public hearing at the Borough of Manhattan Community College in Manhattan on July 24, 2014. NYCHA accepted written comments on the Draft Agency Plan through its post office box and fax through July 24, 2014. Please see the Notice on page 6. Comments were also be emailed to annualplancomments@nycha.nyc.gov. NYCHA met with the Resident Advisory Board (“RAB”) members for their comments in ten meetings between March and September 2014.

NYCHA’s final Agency Plan to the U.S. Department of Housing and Urban Development (“HUD”) will be submitted on October 20, 2014. Following NYCHA’s submission, HUD has 75 days in which to review and approve the plan.

NYCHA’s priorities for the coming year are outlined on pages 13 through 21.

New NYCHA Chair – NextGeneration NYCHA

Shola Olatoye was appointed Chair & Chief Executive Officer of the New York City Housing Authority (NYCHA) on February 8, 2014, by Mayor Bill de Blasio. As Chair & Chief Executive Officer, Ms. Olatoye will lead NYCHA’s efforts to improve residents’ quality of life and to help fulfill Mayor de Blasio’s plan to create or preserve 200,000 affordable housing units over the next 10 years.

NYCHA’s new initiative led by Ms. Olatoye, NextGeneration NYCHA, is a multifaceted, collaborative effort that will strengthen and preserve public housing for the future. It will enable NYCHA to operate as a better and more efficient landlord, generate additional funding to become financially stable, and rehabilitate and harness NYCHA’s real estate assets to benefit residents and the surrounding communities while increasing the supply of affordable housing for all New Yorkers.

To kick off the initiative, we met with community advocates and residents of Ingersoll, Mill Brook, and Van Dyke Houses to gather ideas for improving their neighborhoods and developments. We will use this information to develop “community vision plans” that will be presented to the community stakeholders for their review.

Housing New York – A Five Borough, Ten Year Plan

On May 5, 2014, Mayor Bill de Blasio unveiled Housing New York, a five-borough, ten-year strategy to address the City's affordable housing crisis. The plan, which was created through coordination with 13 agencies and with input from over 200 individual stakeholders, outlines more than 50 initiatives to support our goal of building or preserving 200,000 units of high-quality affordable housing to meet the needs of more than 500,000 people. The city will do this by:

- Fostering diverse, livable neighborhoods
- Preserving the affordability and quality of existing housing stock
- Building new affordable housing for all New Yorkers
- Promoting supportive and accessible housing and serving seniors and the homeless
- Refining current financing tools and expanding funding sources for affordable housing

As part of this plan, the City will engage residents and neighbors of NYCHA developments in a respectful conversation about local needs and opportunities. The former "Land Lease Initiative" will not move forward as described in the 2014 Annual Plan. Instead, the Authority will create a thoughtful and practical preservation and development plan that benefits NYCHA residents, reconnects our buildings to their surrounding communities, increases affordable housing, expands local retail services and contributes to the Mayor's affordable housing plan through a collaborative and disciplined approach.

We will have a conversation with residents to discuss their needs and the capital needs of their developments. The City with NYCHA will produce a series of recommendations that will create a framework for future planning on NYCHA land.

While the construction of new housing is a key component of the Five-Borough Plan, efforts to ensure the quality of existing housing and preserve public housing is also critical. The City's efforts to build new housing must go hand-in-hand with efforts to protect and promote housing quality and preserve the affordability of existing units so that all New Yorkers can live in safe and healthy environments.

Housing assisted by government programs, including NYCHA units, is an essential resource for the City. With more than 2,500 buildings and almost 180,000 units across all five boroughs, NYCHA currently serves more than 400,000 people. These units are critically important to the City's housing infrastructure. NYCHA serves many working families and some of New York City's lowest income families; more than 50 percent of NYCHA's residents have incomes below the poverty level, and approximately 80 percent are Very Low Income.

The City is committed to securing the long term sustainability of NYCHA properties and reevaluating its approach to preservation and development on NYCHA land. Together with the City, NYCHA will fully engage with residents to develop a strategic plan that will provide a full scale evaluation of residents' needs and lay out a path forward to accomplish the objectives of the Five-Borough Plan. The new NYCHA strategic plan, to be issued within a year, will ensure maximum benefits for residents.

NYCHA's Development Pipeline

Since 2004, NYCHA has collaborated with the New York City Department of Housing Preservation and Development (HPD) to construct new affordable housing on NYCHA properties. As of the first quarter of 2014, the collaboration has produced 2,528 units; 832 units are under construction and 1,828 are in pre-development.

Activities for 2015 include the disposition of NYCHA property at the following developments:

- Sale of property at Boston Secor Houses in the Bronx to the City's School Construction Authority ("SCA") for the ongoing provision of special education programs and a possible building replacement by SCA in the future
- Sale of property at East 173rd Street and Vyse Avenue in the Bronx to facilitate construction of 56-units of affordable senior rental housing by MacQuesten Development LLC
- Sale of property at Prospect Plaza in Brooklyn to Blue Sea and Partners for completion of Phase III of the HOPE VI Revitalization Plan which includes 105 units of affordable housing, 22,400 square feet of retail space and a community facility (12,850 square feet)
- Sale of property at Van Dyke Houses I in Brooklyn, to CAMBA for construction of a building containing 30 supportive housing units and 70 family rental units for low income households
- Sale of property at Linden and Boulevard Houses in Brooklyn to Kretchmer Companies for construction of 200 units of affordable rental housing
- Sale of property at Ocean Bay Apartments for construction of neighborhood retail space

All of the above residential projects provide a 25 percent set aside of units with rental preference for income-eligible NYCHA residents.

Ensure Financial Stability

On December 18, 2013, NYCHA's Board adopted a revised financial plan for Calendar Years 2014 to 2018. The Authority's Five-Year Operating Budget Plan projects the revenues and expenditures for the Authority and delineates operating budgets and authorized headcounts by development, community center, senior center and department.

Over the last year NYCHA has made significant progress towards increasing future revenues, decreasing controllable administrative costs, and redirecting resources to the frontline. The prior plan (for years 2012-2016) included the phase-in over five years of a number of Plan NYCHA initiatives of over \$35 million of annual cost savings in central office and administrative functions, and redirected \$27 million annually to frontline operations. This Operating Budget Plan reduces central office and administrative function costs by another \$10 million annually and redirects the majority of this to fund frontline needs.

NYCHA adopted a headcount of 11,315 and a budget of \$3.192 billion reducing our headcount by 426 positions from the 2014 plan. NYCHA anticipates that these reductions will generate \$83 million in savings for the year of 2014 and \$423 million in the years 2014-2018.

Although these reductions will provide significantly relief to NYCHA's deficit in 2014, the fact remains that NYCHA will continue to face structural deficits for the foreseeable future.

For 2015-2018, the Plan projects ongoing structural operating deficits resulting from anticipated federal funding levels of approximately 77 percent of funding formula eligibility; providing NYCHA approximately \$230 million less operating subsidy than it is eligible for each year. NYCHA would not have a General Fund deficit in the years 2014-2016 if Congress appropriated full funding in accordance with HUD's eligibility formula. Additionally, NYCHA continues to operate over 5,100 public housing units that still receive no dedicated form of federal, state or local subsidy, thereby contributing to the deficit. While federal revenue sources remain challenging, substantial increases in pension and other employee entitlements – costs that are “uncontrollable” in the near-term – are weighing heavily on NYCHA's cost structure.

Outstanding Federal Issues

The President's proposed Budget for FY 2015 was submitted to Congress on March 4, 2014, one month after the statutory deadline imposed by the Budget and Accounting Act.

On June 12, 2014 The U.S. House of Representatives passed its FY 2015 Transportation, Housing and Urban Development and Related Agencies (THUD) Appropriations bill. On June 3, 2014 the Senate Appropriations Committee passed its version of the FY 2015 THUD spending bill. However, this legislation has not been considered by the full Senate. As of this writing no effort has been made to reconcile the two bills in a bicameral conference committee. On September 19, 2014 President Obama signed a continuing resolution (CR) passed by both houses which funds the federal government through December 11, 2014.

Note that there is no sequester affecting this year's funding cycle. However, The Bipartisan Budget Act of 2011 calls for sequester cuts to be implemented again in FY 2016, barring Congressional action to otherwise reduce the federal deficit.

The Congressional Budget Office forecasts that HUD's Federal Housing Administration (FHA) program receipts will be \$3 billion below last year's level. As a result it is anticipated that the THUD bill will need to address a \$1.2 billion shortfall.

Important elements of the THUD bill are set out below:

Public Housing Operating Fund

The House bill disregards the President's Budget request for a small increase, to \$4.6 billion, for the Public Housing Operating Fund. Instead, the House proposes funding at \$4.4 billion, the same level as appropriated for FY 2014. The Senate bill calls for a very slight increase to \$4.475 billion. At the House level, NYCHA would receive an estimated subsidy of \$895 million in operating assistance for FY 2015, a proration level at approximately 83 percent of the sum to which housing authorities are otherwise entitled under the Operating Fund formula. Greatly exacerbating NYCHA's challenge in contending with its operating deficit is the fact that the Authority continues to receive no Operating Fund subsidy for 5,059 former State and City-developed units.

Public Housing Capital Fund

The Public Housing Capital Fund was funded at \$1.875 billion in FY 2014. The President's Budget for FY 2015 called for funding at \$1.925 billion. The House bill sets funding at \$1.775 billion or \$100 million below FY 2014. The Senate bill sets funding at \$1.9 billion. These funding levels are

insufficient to address the Authority's growing capital needs, with the House proposal providing less than half of the funding needed to address annual capital accruals.

Resident Opportunity and Self-Sufficiency (ROSS) is a program funded as a set-aside within the Capital Fund. The pending House bill allows up to \$45 million for the ROSS program. The President sought zero dollars for ROSS, seeking instead \$25 million for the JOBS Plus pilot. The House bill funds JOBS Plus at \$15 million.

Section 8 Voucher Renewals

The formula for funding the renewal of Section 8 voucher is based on the number of families assisted in the preceding year, subject to several adjustments. The Center on Budget and Policy Priorities estimates that three-fourths of the state and local agencies administering the voucher program had to reduce the number of families they served as a result of sequestration. Some 70,000 fewer low-income families will use vouchers to rent housing in private accommodations.

The President's FY 2015 HUD Budget provides \$18 billion for renewal funding of currently leased vouchers. The bill approved by the House reduces renewal funding to \$17.693 billion. The Senate bill provides \$17.719 billion for voucher renewals. There is no increase in additional vouchers to the national inventory other than to the VASH program, described below.

Housing agency allocations may be off-set by excess net restricted assets (reserves) which HUD may utilize to prevent termination of any assisted family due to insufficient funding.

NYCHA's Section 8 waiting list will remain closed and no new vouchers will be issued except under very limited circumstances such as emergencies and where prior commitments are in place. The number of vouchers NYCHA is able to fund continues to decline, with a loss of approximately 3,000 vouchers in 2014. NYCHA estimates FY 2015 renewal funding sufficient to support 88,000 tenant based vouchers based on a budget assumption of 99% proration for the Section 8/ Housing Choice Voucher renewal program.

Section 8 Administrative Fee

The Administrative Fee, approved by the House at \$1.350 billion, and passed by the Senate Appropriations Committee at \$1.5 billion, is at its lowest level of funding since the inception of the program. NYCHA's share of the Section 8 Administrative Fee is expected to pro-rate at approximately 75%.

Veterans Affairs Supportive Housing (VASH) – An appropriation for an additional \$75 million in voucher assistance for homeless veterans in FY 2015, represents 10,000 new vouchers nationwide for this targeted program. NYCHA is authorized to issue 2,416 VASH vouchers, which includes an additional 171 vouchers funded as of HUD's October 1, 2014 award of \$1,156 million for NYCHA's VASH program. The use of these vouchers on turn-over is restricted to other qualifying homeless veterans. To date 2,154 are under lease.

Rental Assistance Demonstration (RAD) – HUD's Rental Assistance Demonstration allows the conversion of a public housing development to a form of project-based rental assistance, using existing public housing ACC-based operating and capital funding. While RAD is authorized, no monies have ever been appropriated for the program.

Participation in RAD is voluntary. As RAD is a limited demonstration, it will be rigorously evaluated to assess the viability of its approach in preserving affordable housing. The new program provisions and long-term nature of the Section 8 contracts are intended to allow excess operating cash flow from converted properties to be leveraged / mortgaged to secure proceeds necessary to complete urgently needed rehabilitation work.

Congress has allowed HUD to explore RAD on a pilot basis for up to 60,000 units nation-wide. In December 2013, NYCHA submitted an application to convert Ocean Bay Apartments (Bayside) (1,389 units), located on the Rockaway Peninsula, Queens, under the RAD Program. HUD reports that it has received applications for the conversion of more than 180,000 units and has requested that Congress eliminate or lift the cap to permit all the applications now pending to move forward. NYCHA supports proposals to eliminate or lift the 60,000 unit cap. Currently, NYCHA's application is on a waiting list pending HUD review and Congressional authorization to lift the unit cap. The House THUD bill did not fund RAD, and did not alter the 60,000 unit cap. The bill passed by the Senate Appropriations Committee lifted the cap to 185,000 units and made \$10 million available for increased contract rents for PHA units located in Promise Zones.

Choice Neighborhoods - Choice Neighborhoods continues the transformation of neighborhoods of concentrated poverty into sustainable, mixed-income neighborhoods with well-functioning services, schools, public assets, transportation and access to jobs. Choice is a competitive grant program.

The House bill funds Choice Neighborhoods at \$25 million or \$65 million below the FY2014 funding level. That level of assistance would support only one to two implementation grants. The Senate bill funds the program at \$90 million (for approximately three projects funded at current levels) NYCHA supports a higher level of funding for the program in FY2015, at a minimum equal to the President's request for \$120 million.

In August, 2014, NYCHA submitted a CNI Planning grant application to HUD. If successfully funded, the grant would enable NYCHA to lead a greatly needed transformation process in the Brownsville section of Brooklyn, one of New York City's poorest neighborhoods, and the location of several large NYCHA developments.

On October 10, 2014, NYCHA submitted the final Transformation Plan for Mott Haven. After two years of engagement with residents, nonprofit groups, and the community at large, *Make Mott Haven...* is a plan that addresses housing, health, education, jobs and safety. Key highlights from the plan include comprehensive rehabilitation for a section of the Betances Houses, possible new development of affordable housing, additional programming to address chronic disease such as diabetes, programming for children ranging from early education to career, redesign of open spaces to address unsafe spaces, and revitalization of the Betances senior center and new programs for seniors. We are eagerly awaiting the Notice of Funding Availability for implementation grant funds of approximately \$30 million.

Moving to Work (MTW) - This program was established in 1996 to permit localities to better address the needs of their local communities by promoting increased flexibility. MTW has been a demonstration program since that time. The HUD Budget for FY2015 promises to introduce legislation expanding Moving to Work in the early part of 2014. The HUD proposal is expected to include "MTW Basic" a variation on MTW that NYCHA may pursue. The proposal would allow participating housing agencies the flexibility to combine voucher, capital and operating funds and to

implement rent simplification and other administrative streamlining measures while retaining critical tenant protections. MTW Basic preserves Brooke rent levels, forbids the imposition of work requirements or time limits on residents receiving assistance.

MTW offers several advantages to public housing. It would allow housing authorities to combine their funding streams and provides the flexibility to address their most pressing needs, e.g. apartment renovations and the rehabilitation of building exteriors. It also allows participating agencies, in appropriate circumstances, to seek waivers of statutes and regulatory provisions that obstruct attainment of agency objectives, except for 17 specific provisions that are retained to protect resident rights.

MTW also offers greater opportunities to leverage resources to support the development of additional affordable housing. That administrative flexibility can lead to significant savings from regulatory relief that could be applied to meet operating expenses or capital needs. For example, the annual income certifications for fixed-income families could be shifted to a three-year cycle, resulting in administrative cost savings. Similarly, agencies could explore whether they could seek a waiver of the current statutory Community Service work requirement.

Expedite Maintenance and Repairs

The main component of this imperative is NYCHA's Action Plan to improve its efficiency in responding to maintenance and repair work orders. The New York City Housing Authority continues to reduce the number of open maintenance and repair work orders.

As of October 15, 2014, the total number of open maintenance and repair work orders at NYCHA was 84,273. When NYCHA began its Maintenance & Repair Action Plan in January, 2013, there were 422,639 open work orders. This represents a reduction of more than 338,000 work orders. Service levels to NYCHA residents have also improved significantly. The average time it takes to complete a maintenance task has declined from 147 days to 8 days. While we have made significant improvement in the average time it takes for NYCHA staff to complete a skilled trade work request—currently 48 days, down from 192 days last year—there is still a long wait for non-urgent repairs that require 3rd party vendors. Until recently, NYCHA lacked the funding to address these types of repairs, which primarily include painting the entire apartment or replacing floor tiles. With new funding recently provided by Mayor de Blasio, NYCHA is addressing these and other work orders. The average wait time for this type of vendor work has gone down from more than 500 days when we first started to 118 days. NYCHA expects to make significant progress in reducing the skilled trade work request wait time over the next couple of months. NYCHA will continue to provide regular progress updates on this initiative on its website, www.nyc.gov/nycha.

Improve Safety and Security

NYCHA will work to create secure, healthy neighborhoods where residents, employees, and their visitors feel safe, on NYCHA grounds and inside buildings.

Every family deserves to feel safe in their homes. We know that the security of our developments is essential for the health, stability, and quality of life of NYCHA families. NYCHA, in collaboration with our partners – the NYPD, elected officials, the District Attorney's Office, and residents-- will work to accomplish this very important objective. To improve the physical security of our developments, we have installed 11,004 security surveillance cameras citywide since 1997. We also installed layered access control – which means new intercoms and front door key fobs and hardware

– at 63 buildings across 26 developments. In 2011, as a result of the recommendations of the Safety and Security Task Force, NYCHA has revised its CCTV design standard. The goal of the new design to maximize the crime reduction benefits of CCTV systems while minimizing the financial burden of maintaining and operating these systems. By maximizing the latest technology, NYCHA will continue to focus on improving the safety, security and quality of life for NYCHA residents, by reducing loitering and vandalism of NYCHA property.

As of July 2012, elected officials have allocated approximately \$51 million (with another \$10 million dollars allocated in the FY 2013 budget) to install CCTV and/or Layered Access Control at approximately 85 NYCHA developments citywide. NYCHA has been leading a comprehensive and inclusive process with residents, the New York City Police Department (NYPD) and the elected officials who have allocated capital funding to customize the implementation of CCTV and enhanced security measures within each of these NYCHA communities. The CCTV security systems are being strategically placed to monitor key areas such as building entrances, street corners, elevators, and equipment rooms. The NYPD can access footage in cases of reported criminal activity. We expect to invest about \$27 million in this year for cameras at about 50 developments.

MAP for Neighborhood Safety Initiative

On July 8, 2014, Mayor de Blasio announced a \$210.5 million comprehensive, citywide plan to make our neighborhoods safer and reduce violent crime in New York City Housing Authority (NYCHA) developments, through more targeted law enforcement efforts, immediate physical improvements, aggressive community engagement and outreach efforts, and the expansion of work and education programs. This long-term plan to reduce violent crime in our city's neighborhoods and NYCHA developments will harness the resources of 10 City agencies, community groups, non-profits and public housing residents in a coordinated effort to reduce crime and build stronger families and communities.

The \$210.5 million investment consists of: \$122 million of City funds to relieve NYCHA of other obligations, so that money can be used for repairs and maintenance; \$50 million for physical improvements to enhance security; \$1.5 million for exterior lighting at the 15 developments; \$21.4 million for the civilianization of 200 police officers; and \$15.6 million to expand key programs to help build stronger individuals, families and communities.

This initiative encompasses three major goals:

Reduce crime with more targeted law enforcement: The NYPD will re-allocate resources and equipment to deploy more than 700 additional officers to the precincts and NYCHA developments with the highest need, increasing the NYPD's housing bureau by about a third. Officers will also make more visits to victims to domestic crimes to ensure their safety, offer assistance, and help to facilitate access to services as needed.

Reduce crime by improving the physical environment: NYPD, NYCHA and City Hall officials have identified enhanced security lighting as a critical need. The administration will invest \$1.5 million to mobilize 150 light towers from NYPD, NYCHA and the Department of Parks and Recreation for exterior perimeter security lighting in these 15 targeted developments to better light pathways, public areas and doorways while more permanent security lighting solutions are developed.

NYCHA has already removed 10.9 miles of sidewalk shed in 2014, and will have an additional 10.2 miles removed by next spring as the underlying construction work on building facades is completed. In addition to those ongoing efforts, the administration, City Council Speaker and other City Council members are investing \$50 million for physical improvements to enhance security, including security lights, camera installation, and the installation of layered access and new doors where they are needed most. This fall, NYCHA officials will begin their process of engaging with residents of the 15 highest-need developments to identify the necessary physical enhancements for each development.

Build stronger neighborhoods through enhanced community engagement and expanded programming for residents: High unemployment and low educational achievement are contributing factors to high crime rates. Recognizing that reducing crime starts with prevention, the City is investing \$15.6 million to expand key programs to help build stronger individuals, families and communities, including:

- Expanded summer hours at a total of 107 community centers at NYCHA developments across the city, so that they remained open until 11:00 PM during the summer months (July 7 – August 29).
- Expanded the city's Summer Youth Employment Program to include an additional 850 NYCHA youth (ages 14-24) who live in the 15 targeted developments.
- Deployed outreach teams out of the Mayor's Office of Domestic Violence dedicated to the NYCHA developments with high rates of domestic violence.
- Expanded the Department of Probation's Arches mentoring program to reach an additional 200 young people living in the 15 developments. This program offers one-on-one and group mentoring within a cognitive behavioral therapy-based curriculum for violent and/or gang-involved youth ages 16-24 that is designed to help these young people get out of the criminal justice system by strengthening their attachment to education, work and community.

Super Storm Sandy

On October 29, 2012, Super Storm Sandy hit New York City with a devastating impact. This storm, described as an unlikely convergence of exceptional circumstances, created devastation across the City and at several NYCHA developments.

Action Plan

NYCHA's post-Sandy Action Plan identified \$1.8 billion in repair, replacement, resiliency and mitigation needs for impacted NYCHA developments. These needs cover a range of urgency from immediate repairs to long-term resiliency.

NYCHA has been aggressively pursuing the funding needed to build this better infrastructure from multiple sources, including insurance, the Federal Emergency Management Agency (FEMA), the Hazard Mitigation Grant program (HMGP), and the Community Development Block Grant Disaster Recovery (CDBG-DR) program.

Mobile Boilers

Immediately after the storm, NYCHA procured mobile boilers to restore heat and hot water to buildings whose boiler systems were rendered inoperable by surging flood waters. Currently, there are 25 oil burning mobile boilers (MB) serving approximately 8,800 families in 110 buildings at 16 developments. These mobile boilers are projected to remain in place for up to two additional heating seasons contingent on funding commitments, completion of designs, and construction.

In order to provide optimum service to residents until the permanent boilers are installed, NYCHA is currently replacing the oil burning mobile boilers with natural gas systems. Switching to natural gas will make fuel supply more efficient, as developments already receive gas through existing pipelines. Natural gas is a cleaner-burning fuel – an important benefit for residents – and more environmentally responsible than the existing oil burning systems. The new mobile boilers have built-in redundancy and can continue to provide service when an individual boiler is offline for general maintenance or repairs.

Resident Engagement & Communication

The Authority has a plan to actively engage residents and Community Based Organizations throughout the recovery process. Our outreach to residents and local stakeholders will include a variety of meetings and briefings in the field, with local elected officials and community leaders, as well as other agencies that have an interest and/or impact on the program. Additionally, educational and informational materials will be distributed to via mail, email, handouts and social media.

NYCHA has collaborated and will continue to collaborate with partners at all levels of government and in the private and non-profit sectors.

Changes to Flat Rent Requirements – 2014 Appropriations Act

Under Section 210 of the FY2014 Omnibus Appropriations Act (PL 113-76) that funds federal discretionary programs, housing authorities are required to increase public housing flat rents to a minimum of 80 percent of Fair Market Rent (FMR). The law's flat rent provision requires all public housing authorities to comply by June 1, 2014. A notable exception is that no family's rent will increase by more than 35 percent in any year.

This change in the law will not affect the Brooke Amendment concerning income-based rents. Public housing residents' rent will not exceed 30 percent of their income; residents will pay the flat rent or 30 percent of their income, whichever is the lowest.

On May 20, 2014, HUD released PIH Notice 2014-12 (HA), providing guidance to housing authorities as to the implementation and compliance with the new law. Recognizing that the change in the law will increase rent for some households, NYCHA sought to phase in the increase to reduce the burden. The law sets forth the following new parameters:

- Flat Rents must now be set at no less than 80 percent of the applicable FMR.
- Starting in 2015, PHAs may, but are not required to, lower flat rents to 80 percent of the applicable FMR in years when the FMR decreases from the previous year.
- Housing authorities are required to comply with the new law by June 1, 2014.

- HUD will consider PHAs to be in compliance with the new requirements if they have initiated the public hearing process by no later than June 1, 2014.
- HUD also requires PHAs to begin applying the new Flat Rent schedules to recertifying households and to new applicants beginning October 31, 2014.
- If the new Flat Rent amount increases the family's rental payment by more than 35 percent, it must be phased in to ensure that a family would not see more than a 35 percent increase in a single year.
- PHAs have discretion to phase-in rent increases 35 percent or less over a three-year period.

On June 17, 2014, HUD released the "Flat Rent FAQs" which noted on page 3, "if a PHA's new flat rent amount is too substantial to phase-in over three years, the full impact may be delayed by more than three years for families that reside in these PHAs' jurisdiction."

On July 25, 2014, NYCHA submitted a Significant Amendment to its FY 2014 Annual Plan to amend its flat rent policies to comply with the new HUD requirements. The Amendment stated that NYCHA will set the flat rent amount for each public housing unit at no less than 80 percent of FMR. The new flat rent amount will apply to all new program admissions effective October 31, 2014. For current program participants, residents will pay whichever is lower: the new flat rent or the income-based rent amount, starting with the 2014 fourth quarter annual income reviews.

Based on the HUD guidance in the Flat Rent FAQs, the Amendment also sought HUD approval to phase in the flat rent increase over a five-year period for families with incomes less than 80 percent of FMR. NYCHA requested a five-year phase-in for these families due to the substantial rent increase they would receive under a three-year phase-in. HUD has informed NYCHA that it is in compliance with the statute since NYCHA started the annual plan by June 1st, the new Flat Rent will be applied to new program admissions starting October 31st and Flat Rents will be increased to at least 80 percent of FMR for families above 80 percent of Area Median Income (AMI). NYCHA is in discussions with HUD on phasing-in the Flat Rent increases for the families with incomes less than 80 percent of AMI over a three-year time period.