

**TESTIMONY FROM NYCHA CHAIR & CEO SHOLA OLATOYE
EXECUTIVE BUDGET HEARINGS – PUBLIC HOUSING
COMMITTEE ON PUBLIC HOUSING WITH THE COMMITTEE ON FINANCE
TUESDAY, JUNE 3, 2014 – 3:00 PM
COUNCIL CHAMBERS, CITY HALL, NEW YORK, NY**

Chairwoman Julissa Ferreras, Chairman Ritchie Torres; members of the Committees on Finance and Public Housing; and other distinguished members of the City Council: good afternoon. I am Shola Olatoye, Chair and Chief Executive Officer of the New York City Housing Authority (NYCHA). Joining me today are NYCHA's General Manager Cecil House and New York City Police Department (NYPD) Chief of Housing Carlos Gomez. I am pleased to update you on our financial statements for NYCHA's first quarter (which is January to March), and to present you a re-forecasted estimate for 2014. I would also like to take this opportunity to share with the Council our initial progress in becoming a more efficient and responsive agency. This effort represents an important objective for the Authority going forward.

At the top of my agenda for an improved NYCHA is my commitment to resetting NYCHA's relationship with stakeholders, including residents and elected officials. That means more engagement, transparency, and communication. This isn't going to happen overnight – it will take time. But I am confident that we started off on the right foot. As part of my recent listening tour, we visited developments in all five boroughs, hearing from neighbors young and old, some vocal, some less so, but most with strong opinions about the piece of New York City they call home. To discuss how we can best advocate for those we serve, I met with over thirty elected officials at all levels of government, including many of you here today. We visited NYCHA employees hard at work at their job sites, taking care of grounds, running the NYCHA community programs, or repairing bathrooms, kitchens, and aging facades. We participated in seven town halls to listen and learn from our many partners in these communities. I look forward to updating the Council on an action plan based largely on the things I learned from these various stakeholders, a plan focused entirely on serving NYCHA's half a million

residents, preserving our nearly 2,600 buildings in 334 developments, and maintaining the communities you represent.

Today we're going to discuss numbers that are more than just figures on paper – they translate into the services that impact the homes and quality of life of thousands of families, the people who make up the vibrant backbone of our City. NYCHA's mission is particularly meaningful for me, as I have spent my entire career making sure that people in low-income and vulnerable communities can afford a home. From my recent work at Enterprise Community Partners to build or preserve more than 44,000 homes to my efforts in the community development finance sector, I am driven by the recognition that providing access to this vital necessity is one of the surest ways to revitalize our neighborhoods. This is also a personal goal inspired by my late grandmother, Noveless, a domestic all her life, who lived in Brooklyn's Albany Houses for most of my childhood. Her home was an inexpensive and modest anchor for our large extended family.

The Safety of Public Housing Families

But before I begin, I'd like to turn your attention to the tragic issue that's present on everyone's mind. It's hard for anyone to fathom the horrific incident that occurred this weekend in East New York, Brooklyn, myself included. Our thoughts are with the grieving families of PJ Avitto and Mikayla Capers, who are devastated by this senseless crime. As a New Yorker, as a mother of two boys, it is hard to find the words to describe the impact of such a heinous incident other than to say, "it's two victims too many." Everyone deserves to feel safe in their homes, and I'd like to highlight some of the work we are doing along with our partners to support this very important mission.

We work with all our stakeholders – especially NYCHA residents, the NYPD, the District Attorney's Office, community-based organizations, the City Council, and other City and State agencies – to address safety and security issues through a

collaborative approach. In this vein, we resurrected NYCHA's Safety and Security Task Force, which was formed in 2009 in collaboration with a core group of stakeholders such as residents, the Citywide Council of Presidents, NYCHA management, and NYPD senior leadership. The Task Force, which met most recently in April, works to strengthen relationships among community stakeholders and engage residents to more proactively address violence in their communities. It produced a detailed report which describes our efforts to improve physical security infrastructure; deter crime; and discourage and remedy "evidence of disorder" such as broken doors and other vandalism that can lead to more serious crime. For instance, the Task Force's recommendations guide our layered access approach to building security. Going forward, it will also focus on helping residents get better prepared for emergencies. The Task Force has successfully obtained funding and support from the Office of the Mayor, the Office of the Special Narcotics Prosecutor, the New York City Department of Youth and Community Development, and the New York County District Attorney's Community Affairs Unit.

Chief Gomez is here to talk more about our coordination with the NYPD, such as the "Impact Zones" they created at certain NYCHA developments to reduce and prevent serious crime through increased patrols. In conjunction with the NYPD, NYCHA residents who are willing to cooperate in the prosecution of certain criminal cases are transferred to a new location. NYCHA works with the New York County District Attorney's Office on a variety of crime reduction strategies, including the prosecution of gang cases and through a violence reduction sports program called "Saturday Night Lights," which reaches hundreds of NYCHA youth at Polo Grounds Towers and the Johnson, Lillian Wald, Corsi, and Frederick Samuel Houses. District Attorney Cy Vance's office has made asset forfeiture funds available to NYCHA to enhance the security and quality of life at select developments in Manhattan. To maximize the return on this investment, NYCHA is conducting a physical security assessment at these developments. As part of this assessment, a Crime Prevention Through Environmental Design expert will develop recommendations for physical layout changes that will

increase resident security. We conduct various recreational activities and mentorship programs with the District Attorney's Office and the NYPD, including the NYPD's Explorer and Cadet programs. The DA's Office also works with us on relocating intimidated witnesses living in NYCHA developments.

Partners in the non-profit and public sectors enable us to work toward reducing crime. We partner with "Cure Violence" organizations that assist high-risk individuals at 12 NYCHA developments in all five boroughs, including Boulevard, St. Nicholas, Adams, Baisley Park, and Stapleton Houses, for instance. Through a grant from the New York Community Trust, we collaborate with these organizations on education campaigns, community mobilization events, and youth empowerment workshops. As part of a new collaboration, we are working with the Mayor's Office to Combat Domestic Violence on greater coordination and sharing of information as well as community outreach to NYCHA residents. We also partner with them to provide training for NYCHA staff on identifying domestic violence. Our revamped Resident Watch program, in which residents volunteer to provide patrols in their developments, helps deter crime such as loitering and vandalism.

To improve the physical or built environments of our developments, we have installed nearly 11,000 security surveillance cameras at more than 1,000 buildings in nearly 200 developments since 1997. 3,879 of those cameras were installed at 500 buildings since 2012 with City Council funding. Cameras enhance security for many families – more than 272,000 residents live in developments where cameras are installed. We also installed layered access controls – which means new intercoms and front door key fobs and hardware – at 63 buildings across 26 developments, enhancing security for more than 23,000 residents. We expect to invest approximately \$27 million this year for cameras at 49 developments. Over the past two months, we conducted 46 CCTV information sessions and dozens of meetings in all of the boroughs that received CCTV funding to engage residents in the CCTV process. This involved briefing residents on the plans, performing walk-throughs of camera locations, and asking for

resident input and approval of the projects. These steps will enable us to complete all projects funded in fiscal years 2013 and 2014. We just got approvals from the New York City Office of Management and Budget for these upcoming projects. However, because installation and construction requires approximately nine months and will commence in July, some projects will not be completed until the first quarter of next year.

Since 2009, we completed six security-enhancing lighting improvement projects totaling about \$14 million. We are currently investing more than \$9 million in another 10 lighting projects. More than 40,000 residents will benefit from this work. The City Council's assistance has been vital to bringing these lighting and CCTV projects to fruition, from project design to funding.

At Sackwern Houses in the Bronx, an 81-year-old woman – who has lived there for a mere half century – told me simply and directly: “I just want my home to be clean and safe. Clean and safe. That’s what we all want. That’s how we want to live.” And that’s exactly what NYCHA employees get up each morning to provide: a decent, safe home to the New Yorkers who depend on us.

Quarter 1 Results

Let me now bring you back to our budget. As you may recall, NYCHA's operating budget manages two major programs: public housing and grants that support all public housing activities and the Housing Choice Voucher Program (known as Section 8), which includes all activities in the administration of NYCHA's Leased Housing Program. Public housing and grants represent two thirds of the Authority's overall spending, or about \$2 billion, and the Section 8 program is approximately \$1 billion, or one third of total spending.

When I testified in March, I explained that the 2014-2018 Operating and Capital Plans were adopted by the Board in December 2013. To better understand the

current fiscal picture, it is important to compare this adopted budget with Quarter 1 actuals.

The adopted budget passed in December projected operating revenues of \$243 million for Quarter 1. This consists of tenants' rent and other fees. Due to lower than expected tenant incomes from January to March, NYCHA actually received \$236 million, \$7 million less than expected.

The adopted budget projected \$474 million from federal operating subsidy and Section 8 Housing Assistance Payments. NYCHA actually received \$524 million, \$50 million more than expected. This is the result of higher than expected federal subsidies. NYCHA assumed 77 percent proration; today, the interim proration is 89 percent. For Section 8, Housing Assistance Payments proration is 99 percent and administrative fee funds proration is 75 percent.

The adopted budget projected \$787 million for expenses. For Quarter 1, NYCHA spent \$805 million, \$17 million more than expected. Of the total expenditures, \$346 million was spent on employee salaries and benefits, \$40 million more than expected. This was partly due to the fact that from January to March, 34 developments with 645 apartments were affected by gas outages and there were 11 major snow events, both of which required increased labor.

The adopted budget projected \$482 million for utilities, supplies, and contracts. For Quarter 1, NYCHA spent \$459 million, \$23 million less than expected. This was driven primarily by \$17.5 million of relief from the NYPD payment.

I would like to take this opportunity to thank the Mayor for his continued support. Suspending the NYPD payment, which dates back to a memorandum of understanding written during the Giuliani administration, demonstrates a steadfast commitment to public housing and low-income New Yorkers. Increased funding from the Mayor will help us address our fiscal challenges, better serve our residents, and get us back to our core mission. In 2014, the \$52.5 million will

fund paint and tile work, a new work assessment unit, and new apartment appliances. The \$70 million provided in fiscal year 2015 will be used to maintain service levels and security. Not since Mayor La Guardia first recognized the vital need for public housing in this city has NYCHA received such a strong commitment from City Hall.

2014 Re-Forecast

Now I'd like to present you a re-forecasted estimate for the rest of the year. The adopted budget projected total revenues of \$2.87 billion for 2014. By continuing the first quarter trend for revenues, we expect to receive \$3.11 billion, \$240 million more than the adopted budget. Again, this is driven by higher than expected federal funding, a consequence of the budget deal brokered by Congress in December 2013 and the swift passage of the 2014 Consolidated Appropriations Act which followed. Included in this estimate is expected shortfall funding from the U.S. Department of Housing and Urban Development (HUD) of \$12 million for the Section 8 program. If this funding isn't received, NYCHA would be forced to remove about 1,122 vouchers from the program.

The adopted budget projected total expenses of \$3.149 billion for 2014. We are now projecting \$3.186 billion, a 1 percent increase over the adopted budget. This is partly due to the gas outages and storms I mentioned as well as the increased labor related to our maintenance and repair efforts. To address the expected spending increase, NYCHA is reinforcing and reevaluating internal controls and policies.

Overall, we anticipate a higher deficit by the end of 2014, as outlined in our PowerPoint presentation.

Efforts to Close the Deficit

Again, NYCHA is grateful for the Mayor's relief of the \$70 million in payments to the NYPD for the City's 2015 fiscal year, \$35 million of which will be used in 2014 to help reduce the deficit. NYCHA is also taking responsible and proactive actions to close the deficit. First, we are working aggressively with HUD to increase NYCHA's federal subsidy through an energy rate reduction provision. HUD provides an incentive for public housing authorities (PHA) to negotiate energy rates at lower than market costs. Since the formula for utilities is based on consumption and average rates paid, negotiating lower than market rates actually reduces the estimated formula amount. To encourage PHAs to pay less than market rate, HUD reimburses 25 to 50 percent of that difference. NYCHA received more than \$64 million from this initiative over the past three years and could potentially bring in an additional \$25 million this year.

NYCHA can also impose hiring freezes, in which all active headcount is held constant throughout the rest of year. Our adopted budgeted headcount is 11,315. NYCHA currently has about 11,214 on board. However, a problematic tradeoff resulting from these savings of approximately \$5 million is that they may result in lower service levels than NYCHA has in place today.

In addition, we are considering a number of initiatives that could potentially reduce the projected deficit by about 15 to 20 million dollars.

Recent Accomplishments and Progress

Now, I would like to highlight some of the recent and impressive progress we've made to better maintain our buildings and improve quality of life for residents. As I've noted, many dedicated people have contributed to our efforts, and I'm working to get to know them. At every development, the refrain I hear from employees is that they have a deep sense of pride for what they do. And many of their accomplishments are made possible in part by the Council's support.

Operational Investments

We allocated \$40 million and have spent over \$15 million to close more than 24,000 vendor work orders. We are creating an independent assessment unit that will further enhance this work. We also appreciate the City Council's \$10 million in funding for our Painter Apprenticeship program, which has enabled us to hire and train 102 current participants in the program, over 90 percent of whom are residents. These apprentices are now union members with a skilled trade which enables them to take advantage of opportunities in both the public and private sectors. This funding also allowed us to hire about 50 provisional painters to help close paint work orders.

NYCHA continues to work hard to reduce the number of open work orders and the average time it takes to respond to a work order. Since the beginning of the year, we closed more than 955,000 work orders (for context, about 1 million work orders were created and 110,000 were cancelled in that same period). While we have made incredible strides to reduce a backlog that once stood at 423,000 open work orders down to about 78,000, we have no intention of easing our focus on greater efficiency. Along with this 82 percent reduction in work orders, we exceeded our goal of responding to maintenance requests within seven days, bringing that number from 150 to an average of four days. We brought the average time it takes to complete skilled trade requests from 280 days to 40 days, though that is still far from our target of 15 days. However, I am confident that the hard work of our employees and assistance from our partners will help us get there.

The Mayor is committed to using City resources to reduce the number of families in homeless shelters. We are working with City Hall, our agency partners, and advocates on a plan to address this very pressing issue. We will provide families referred by the Department of Homeless Services with project-based Section 8 apartments. These apartments, which currently receive no subsidy due to the State and City's discontinuation of funding for developments they built, will then generate a steady federal subsidy. We are currently working with City Hall on a

plan to determine the number of placements and the timeline for helping to achieve the Mayor's goals on the homelessness crisis.

Capital Investments

HUD mandates that all public housing authorities obligate 90 percent of capital funds within 24 months and expend them within 48 months. These timelines take into account all the various steps involved with capital projects. To date, NYCHA's Capital Projects Division has obligated \$95 million, or 85 percent of its \$112 million in 2013 capital funding. We expect to fully obligate all of these funds within nine months, well before HUD's deadline of September 2015. We also beat HUD's deadline for the expenditure of the 2010 capital grant by five months and are on track to fully expend our 2011 grant by the August 2015 deadline. I am especially pleased to report that NYCHA has never missed an obligation or expenditure deadline.

Using the proceeds of a bond issued under HUD's Capital Fund Financing Program, we successfully bid and are in the process of awarding 24 critical brick and roofing projects that will improve quality of life at 30 developments. To date, we have obligated \$173 million and expect to obligate all of the nearly \$500 million in bond proceeds within 11 months of bond approval, over one year earlier than required.

Sandy Recovery and Emergency Preparedness

Although we have much work to do, we have made notable progress in our Hurricane Sandy recovery efforts. Many basic repairs have been completed or are underway, including repair work on damaged playgrounds, apartment restorations, and community center spaces. Emergency work, such as the replacement of emergency mobile boilers, is also underway. Significant work with our insurance carriers has resulted in \$230 million in insurance payout to date. Strong progress has been made in working with FEMA on the development of

required project worksheets to support significant levels of FEMA funding. Design work around emergency power backup is nearly complete. We continue to work with HUD and the State on potential additional funding via the Community Development Block Grant or the Hazard Mitigation Grants Program. As a result of all this progress on securing potential funding, design has been able to commence for permanent repairs, resiliency, and mitigation at 27 developments. A major component of our recovery is the formal plan that has been put in place to provide for resident engagement and input into the rebuilding effort at each affected development.

As part of the rebuilding efforts, we are conducting resident engagement meetings at all Sandy-damaged developments. Meetings were recently held in the Lower East Side and Coney Island and another 33 are scheduled through September. These meetings are the first stage of a resident input process that will engage residents from design to completion.

We are communicating with all residents to provide them with general information on emergency preparedness and have conducted presentations on the topic at 23 developments across the City. Another 57 are scheduled for the coming months. We are supporting residents in developing emergency action plans and will continue to conduct emergency drills. We will also train volunteers to serve as floor and building captains in the event of emergencies and continue to engage residents by promoting awareness on emergency evacuation at developments' "Family Days" throughout the summer. Last month, we met with dozens of advocacy groups, community-based organizations, City agencies, and emergency response organizations as a follow-up to continued discussions, events, and training sessions with our partners to proactively prepare for emergencies.

This year alone, we conducted more than 100 emergency drills with employees. We trained over 1,500 staff on the Incident Command System, a standardized and flexible approach to handling a range of emergency and non-emergency

events. We also instituted a voluntary program to enable NYCHA employees to work at an alternate location, including at a hurricane shelter, if their regular workplace becomes inaccessible due to an emergency. Phone bank, door-knocking, and data entry teams were established as part of this program to create a more defined role for volunteers to address residents' needs in the event of an emergency.

A Plan to Preserve and Develop Public Housing

NYCHA's participation in the Mayor's "Housing First" affordable housing plan demonstrates a paradigm shift in our relationship with stakeholders. We look forward to working with all partners – including residents, elected officials, community advocates, and other City agencies – to craft our own practical and thoughtful plan which will help advance the Mayor's affordable housing goals while benefitting NYCHA residents. To be clear, we are going back to the drawing board to develop a plan in concert with all stakeholders, starting with residents, to revitalize communities, improve quality of life, and preserve and develop public housing for the future in a way that is sustainable and financially sound. This will be about true collaboration; it will involve senior and supportive housing and the community and retail facilities that residents want, and will help knit public housing into the fabric of the wider community.

A Call for Partnership

While we have been working to become a more efficient agency, NYCHA's true success depends on collaboration with our stakeholders. The City Council is a crucial partner for a number of our initiatives, and we thank you for your support. We are eager to continue working with the Council on resident engagement efforts, a strategy for the best use of our community centers, and the creation of a preservation and development plan.

The Mayor's budget generously provides additional funding to address maintenance and repairs and enhance security. NYCHA is also grateful for the City Council's contributions of \$17.7 million to mitigate the impact of sequestration and continue operating community and senior centers. However, operating 57 existing community and senior centers cost \$17.1 million annually. We ask that the Council continue to help us identify a way to keep operating these centers, which provide important services and a better quality of life for approximately 5,000 New Yorkers every year. We are also requesting the Council's assistance in identifying dedicated, citywide funding that would enable us to pursue a more comprehensive and targeted approach to physical security at developments with the highest crime.

By working together to identify innovative solutions to our fiscal challenges, we will ensure that NYCHA is here to serve future generations. Public housing is too important a resource for there to be any other way.

Thank you. I am happy to answer any questions you may have.