

**TESTIMONY FROM NYCHA CHAIR AND CEO SHOLA OLATOYE ON
NYCHA’S PUBLIC PRIVATE PARTNERSHIP TO PRESERVE
AND PROTECT PROJECT-BASED SECTION 8 HOUSING**

Chairman Ritchie Torres, members of the Committee on Public Housing, and other distinguished members of the City Council: good morning. Thank you for the opportunity to discuss the New York City Housing Authority’s innovative public/private partnership that will revitalize and preserve six Section 8 developments outside of our traditional public housing portfolio. I am Shola Olatoye, Chair and CEO of NYCHA. Joining me today are William Crawley, NYCHA’s Vice President for Development, and Richard Couch, NYCHA’s Chief Financial Officer.

Introduction

We are proud of the significant benefits that the partnership with L&M Development Partners Inc. and Preservation Development Partners Inc. (formed by BFC Partners, L.P. and K&R Preservation LLC) will bring to more than 875 households and 2041 residents. This project was the only solution to the underfunding issues experienced at our project based Section 8 developments for decades. The affordable housing industry, and as of late public housing authorities, have leveraged private funds to preserve their buildings for residents for more than 30 years. This transaction provides \$80 million for critical capital repairs including new kitchens and bathrooms for every apartment, renovated lobbies and community areas, energy efficient technologies, and security enhancements. It will enable NYCHA to preserve these developments for the long term and improve residents’ quality of life, all without any changes to the amount of rent tenants must pay. This transaction allows NYCHA to provide timely capital repairs and enhancements to preserve these assets for the long term.

Context

Since our first properties were opened 80 years ago, NYCHA has served as the pre-eminent public housing authority in this country. We are New York City's largest landlord, managing 178,000 apartments in 328 developments.

The erosion of government support for public housing at the federal, state and local levels since the 1990s has resulted in continued deficits and accelerated deterioration of the nation's public housing stock. NYCHA, because of our size, has experienced these cuts even more dramatically. Defunding has required that we cover large operating deficits by depleting our reserves, transferring capital funds to support operations and reducing our staff.

This situation is even more intractable when it comes to our project-based Section 8 housing, which sits outside of our traditional housing portfolio, a little known fact. Over 30 years ago, NYCHA inherited six project-based Section 8 developments from the City and others. Comprised of 875 apartments in 10 buildings, they include tenement buildings at Millbank-Frawley, East 120th Street, and East 4th Street, and three high rise developments: Campos Plaza I, Saratoga Square, and Bronxchester Houses. They currently require about \$48 million of capital work over the next five years, and about \$113 million over the next 15 years.

For sake of its residents and these communities, NYCHA needed to find another way to maintain and preserve these 875 units for current and future New Yorkers. Triborough Partners, the public/private partnership we created with L&M Development Partners Inc. and Preservation Development Partners Inc. provides us with a creative solution to not only to rehabilitate these 875 units in two years, but to maintain them.

The Deal

It is important to understand the facts about this partnership that provides critical funding to preserve these project-based Section 8 developments for tomorrow and

improve residents' quality of life today. Thanks to this partnership, approximately \$80 million in capital work will be performed to bring the properties into a state of good repair and to provide energy-efficient technologies and enhanced security. In total, we expect this partnership to generate a return to NYCHA of approximately \$360 million over the next 15 years, vital funds that helped close NYCHA's 2014 operating deficit and will fund capital work at our public housing developments.

NYCHA is a partner with 50 percent stake in the ownership structure of these six developments. To access 4 percent low-income housing tax credits and HDC tax-exempt bonds, we cannot own more than a 50 percent stake. Without this partnership we would not have access to these financial tools.

The units will remain project-based Section 8 and are also subject to rent stabilization regulations. NYCHA retains approval rights over major decisions and oversight that affect the Section 8 developments. Under Section 8, residents' share of the rent will not increase – it will stay at 30 percent of their income. The residents of these Section 8 developments have a lower average household income than our public housing population (about \$19,000 versus about \$23,000, respectively), and the apartments will continue to be rented to low-income families.

One of our partners, a private management company with experience in Section 8 property management, will oversee maintenance and operations at these properties, providing more efficient and timely service, improving work order turnaround, and enhancing customer service.

On Day 1 the new management company inherited 768 backlogged work orders from NYCHA for the ten buildings. Between January 1st and January 31st, the new management completed 362 – or 47 percent – of the “inherited” work orders and completed 443 new work orders for a total of 805 work orders.

Additionally in its first 30 days, Triborough has convened 53 meetings with residents, TA leadership, elected leaders and other community stakeholders.

Partnership Goals

NYCHA sought a partner who is experienced with tenant-in-place rehabilitation work. Prior to forming the partnership, we held more than 40 meetings with the residents of these buildings as well as with local elected officials and other stakeholders to determine and communicate priorities for this initiative. Not only did we gather valuable input that helped us refine our rehabilitation goals – for example, residents prioritized security enhancements and larger community spaces – we also ensured that we had an explicit understanding of exactly what needs to be addressed by our partnership.

Triborough Preservation Partners, the name of the public private partnership, has successfully completed tenant-in-place projects involving more than 3,000 units, including the recent rehab of over a thousand project-based Section 8 units at Ocean Village in Queens. Triborough will minimize the impact of renovation on residents. In the event that a resident must be relocated, the relocation will be temporary and at no cost to the resident.

The Triborough team includes the management company, C&C Apartment Management, which will manage the developments' day-to-day operations. Part of our agreement with Triborough is that NYCHA residents be trained and hired for at least 20 percent of the construction positions to be filled and 50 percent of the maintenance workforce to be hired. Through a partnership with Building Skills NY, Triborough will provide free construction industry training to the qualified residents referred by NYCHA's Office of Resident Economic Empowerment and Sustainability. So far 21 NYCHA residents have been hired for maintenance positions. All those hired for the construction jobs including NYCHA residents, will be paid a wage of at least \$15 an hour. The 16 NYCHA employees that had been working at these Section 8 developments have been redeployed to other NYCHA public housing developments.

Conclusion

Finally it is important to note that, while we are proud of the solution we forged to preserve our project-based Section 8 housing stock, it is hardly unique nationally. Public housing Authorities all over the country – White Plains, St. Louis and Miami, just to name a few – have embraced public/private partnerships to support their preservation goals for years. Given the continued lack of support from Washington, we would be negligent in our responsibility to our residents if we did not harness the tools that other Public Housing Authorities have demonstrated work well to preserve and protect their housing stock.

With this transaction, NYCHA has forged a solution to the chronic and unyielding funding shortage suffered by these six developments, and raised money for the rest of our developments, with a responsible financial tool commonly used in New York, which has been a leader in this field. This Administration has made affordable housing a cornerstone of its platform. This transaction is evidence of the Mayor's and our commitment to the goal of the preservation of existing affordable housing. We know that the City Council shares our vision of safe, clean and connected affordable housing for New Yorkers. We look forward to working with you and the Mayor on future endeavors to make this vision a reality.

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