

Testimony from NYCHA’s Chief Executive Officer Lisa Bova-Hiatt
Preliminary Budget Hearing – Public Housing
Committee on Public Housing
Tuesday, March 12, 2024 – 1 p.m.
New York City Hall Committee Room

Chair Chris Banks, members of the Committee on Public Housing, other distinguished members of the City Council, NYCHA residents, community advocates, and members of the public: good afternoon. I am Lisa Bova-Hiatt, NYCHA’s Chief Executive Officer. I am pleased to be joined by Chief Operating Officer Eva Trimble, Executive Vice President of Finance and Chief Financial Officer Annika Lescott-Martinez, Chief Asset and Capital Management Officer Shaan Mavani, and other members of NYCHA’s team. Thank you for this opportunity to present the Authority’s adopted budget, which was approved by NYCHA’s Board of Directors in December. I would also like to discuss our work to transform NYCHA as an organization and enhance residents’ quality of life.

I would first like to commend the hardworking members of our Finance team – for the 20th year in a row, NYCHA was recognized for excellence in financial reporting by the Government Finance Officers Association of the United States and Canada.

The Impacts of Declining Rent Revenue

My colleagues and I are intensely engaged in the efforts to improve how NYCHA functions so we can better deliver services to our residents and ensure the Authority remains a vital resource of affordable housing in our city. We have made progress in key areas that most impact residents – from lead and mold abatement to comprehensive building and apartment renovations through our housing preservation initiatives. However, we are contending with considerable financial challenges – in addition to the mounting impacts of decades of federal disinvestment, we are grappling with significant rent arrears.

Rent arrears now total \$482 million across 70,000 households – a \$357 million increase from 2019. NYCHA is collecting only 60 percent of the rent owed (including arrears) over a 12-month period; HUD expects public housing authorities to collect 100 percent of the rent. Since NYCHA’s primary mission is to keep residents housed, we conducted a campaign to inform residents of the various ways they can get help with paying their rent, and we work with residents experiencing economic hardship. We are also proud of our advocacy in collaboration

with many partners, including residents and elected officials, to ensure residents received their fair share of Emergency Rental Assistance Program (ERAP) funding from the State. To date, NYCHA has received \$136 million in ERAP funding from the State and applied \$90 million to residents' accounts; we will continue to credit residents' accounts as funds are received. Thanks in part to the ERAP funding, rent arrears have decreased since last year and are stabilizing.

Rent payments fund one-third of NYCHA's operating budget and are critical to our ability to maintain our developments and provide residents with the quality of life they deserve.

Compounding the challenges is the fact that our rapidly aging developments have nearly \$80 billion in major capital needs. Despite the funding constraints, we are leveraging creative funding strategies and using all available resources to make critical investments that improve residents' quality of life and provide safe and healthy homes.

Budget Outlook

Operating Budget

I would now like to take you through a few details related to NYCHA's budget. Please note that as a public housing authority, NYCHA's budget runs on a calendar year rather than the City's fiscal year. For 2024, with expected operating revenues of about \$4.961 billion and an expected \$4.996 billion in operating expenses, we anticipate a year-end deficit of about \$35 million. We believe we can close this gap – we will continue to closely monitor our spending and implement cost-saving measures, as we did to close the budget gap in 2023. However, with the increasing needs and expected growing losses in rent revenue, the annual deficit is expected to persist in the coming years.

Two-thirds of NYCHA's operating revenue comes from federal sources. This year, we expect to receive about \$1.3 billion in federal operating subsidy. As noted, rent revenue accounts for the other third of our operating revenue, and we expect to collect about \$959 million in rent this year – about \$117 million less than we should be collecting. Our 2024 budget assumes a proration factor of 93.5 percent for the operating subsidy – \$91 million less than what NYCHA is eligible for. Our 2024 budget anticipated \$205 million in City operating funds – and the City has since increased our funding to \$234 million.

We expect to receive about \$1.88 billion for Section 8 vouchers, and the associated administrative fees, this year. NYCHA is receiving the previous year's expenses plus a Section 8 administrative fee that is estimated to be prorated by 90 percent. Along with program reserves, NYCHA will be appropriately funded to issue more Section 8 vouchers for extremely and very low-income New Yorkers.

Our projected expenses for 2024 include about \$1.9 billion in Section 8 payments to landlords; \$1.7 billion in salaries, fringe benefits, and overtime; \$414 million in contracts; \$643 million in utility payments; and \$378 million for expenses such as leases, supplies, vehicles, and equipment.

Chief Financial Officer Annika Lescott-Martinez will now provide some additional information about NYCHA's 2024 budget and financial outlook.

[Budget presentation from Chief Financial Officer Annika Lescott-Martinez]

Capital Investments

Thank you, Annika. I would now like to discuss NYCHA's capital investment program. In 2024, about \$3.13 billion is available for capital investments in our properties, including approximately \$752 million in expected 2024 federal capital funding; \$1.1 billion in City capital funding available in the 2024 City Fiscal Year; and other federal, State, and City funds allocated from prior-year awards. We appreciate the City's support, which is helping us improve residents' homes. We are also grateful for the State's commitment of \$485 million, which we will invest in façade restoration and heating systems improvements.

While the capital funding we receive is a fraction of the nearly \$80 billion in repairs and upgrades our buildings need, we are making a difference for residents with the funding we do receive. Last year, we expended over \$1.1 billion dollars on capital projects and completed construction for 100 projects; more than 600 capital projects are currently underway across the city, and we are targeting \$1.5 billion in expenditure and completion of 150 projects this year. As of the end of 2023, we have spent more than \$3 billion on Sandy recovery work, providing thousands of residents with new roofs, floodproofed electrical equipment, boilers, backup power generators, flood protection, as well as exterior lights, CCTV cameras, and security systems. In

support of our HUD Agreement targets, we have replaced 98 boilers and 84 elevators through capital investments; in 2024, construction work is underway at scores of developments to replace an additional 85 boilers and 80 elevators. At the same time, we have renovated 284 interior trash compactor rooms with new equipment, and have 110 in construction as well as 7 waste yards with new exterior compactors. We have replaced 415 roofs through our roof replacement program, and 89 additional roof replacements are in progress.

Additionally, we have completed or advanced a range of smaller projects – such as CCTV, lighting, playgrounds, and community and senior centers – funded through Mayoral, discretionary City Council, or Borough President allocations. This includes five of the City Council-funded projects that we had to pause one year ago due to staffing constraints – and we plan to restart the remainder of the paused projects beginning in July and over the subsequent 12 months. Overall, our City capital funds commitment rate stands at 31 percent, and should exceed last year’s capital commitment rate of 56 percent once the submissions already with or approved by OMB are approved and/or registered.

Over the next five years, we plan to invest \$1.1 billion for Comprehensive Modernization projects; \$1 billion to upgrade heating systems; \$740 million to repair roofs; \$698 million for lead, asbestos, and mold abatement; \$500 million to replace elevators; \$333 million to repair facades; \$269 million on waste management systems; and \$123 million for plumbing upgrades – among many other important capital improvements.

Transforming NYCHA and Residents’ Quality of Life

While we invest strategically in residents’ homes with the limited funding available, we are also improving our organization so we can better serve residents. Our Transformation Plan is the lodestar for this work, which is evident in areas across the Authority. For instance, the Transformation Plan’s Neighborhood Model created smaller property management portfolios that are easier to manage while bringing more accountability and resources to developments. We re-oriented centralized functions such as heat and pest management to the Neighborhood Model to increase oversight and foster better coordination with property management. Thanks to our Work Order Reform initiative, borough-based skilled trades staff reduced the work order backlog by over 23,000 work orders, and we have met and exceeded the annual demand for new work orders in the past year. Property management reduced the time it takes to conduct initial

mold inspections from around 12 days at the beginning of last year to around 4 days currently, and they have completed over 42,000 mold inspections since the beginning of 2023. Mold complaints are down, thanks to our work to replace 8,400 roof fans, clean vents in nearly 74,000 apartments, and install nearly 10,000 fire dampers. We continue to reduce both the number and duration of heat and elevator outages, tangibly improving residents' quality of life. And to foster a safe and healthy living environment, we abated lead-based paint in more than 6,700 apartments and tested over 68,000 apartments using the City's stricter standard for determining the presence of lead-based paint.

Our various sustainability initiatives are helping to address the climate crisis while benefitting residents. This includes the Clean Heat for All Challenge to develop a new energy-efficient heating and cooling product for apartments; the Induction Stove Challenge to produce energy-efficient electric cooking systems; the graduation of the first two cohorts of residents from the Clean Energy Academy (which prepares participants for "green-collar" careers); installation of 30 megawatts of rooftop solar at our properties; and obtaining tens of millions of dollars in grants for decarbonization and resiliency work as well as the installation of e-bike storage and charging infrastructure.

Notably, we are bringing billions of dollars of investment to our buildings through creative, and critical, housing preservation programs. To date, 20,000 apartments have been converted to PACT, and a record \$1.8 billion in financing for capital repairs was closed in 2023 across four PACT deals. And after five years of extensive resident engagement and planning, residents of Fulton and Elliott-Chelsea Houses expressed their preference to entirely rebuild their campuses as part of PACT. Overall, 138 developments comprising over 37,000 apartments are in either the engagement or pre-development process, under construction, or have received comprehensive repairs through PACT. We aim to bring dramatically improved quality of life to a total of 62,000 NYCHA families through the PACT program.

In December, a third-party election administrator certified the results of the first resident vote at NYCHA. Nostrand Houses residents selected the Public Housing Preservation Trust as the path forward for their homes. I am pleased that the Trust will renovate Nostrand residents' homes and buildings from top to bottom. The resident voting process has also commenced at Bronx River Addition.

Developed in collaboration with residents, both the Trust and PACT bring developments the more stable Section 8 federal funding, which is worth nearly double what Section 9 apartments receive. These initiatives also ensure that NYCHA developments remain public and that residents maintain their rights and protections, including permanently affordable rent.

Our Comprehensive Modernization program will also complete holistic capital improvements instead of simply repairing individual building components. Launched at four developments so far, the program is supported by \$678 million in our City Capital Action plan and \$200 million from the Gowanus Neighborhood Rezoning. Design-build teams have been selected to carry out the renovations at Saint Nicholas and Todt Hill Houses.

Partnering for Success

The challenges are indeed significant: The majority of NYCHA buildings are more than a half century old, and the historic lack of investment is driving up the costs to simply maintain them. But NYCHA is home to hundreds of thousands of New Yorkers, making our mission to preserve and strengthen this vital resource of affordable housing so critical.

And so we must continue to work together with all of our partners to advance creative solutions like PACT and the Trust, which generate billions of dollars to revitalize and transform residents' homes. True change takes time – but with our shared vision and commitment, we will ensure that NYCHA can continue to serve our city for the decades to come.

Thank you. We are happy to answer any questions you may have.