

Executive Summary

NYCHA's Draft Agency Plan for FY 2018

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 Draft Agency Plan for FY 2018 is available for public review at NYCHA's Central Office and each development's management office as well as on NYCHA's web page <http://www1.nyc.gov/site/nycha/about/annual-plan-financial-information.page>. NYCHA will also provide a copy of the Final Agency Plan to each public housing Resident Association President.

NYCHA will hold a public hearing at the Borough of Manhattan Community College (“BMCC”) in Manhattan on September 6, 2017 and will accept written comments on the Draft Plan through September 8, 2017. Please see the Notice on page 2. NYCHA met with the Resident Advisory Board (“RAB”) members for their comments in seven meetings between February and July 2017 and will meet with them again before the Final Plan is submitted to HUD for approval.

NYCHA's Final Agency Plan will be submitted to the U.S. Department of Housing and Urban Development (“HUD”) on October 18, 2017. 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 18 through 27.

NextGeneration NYCHA

On May 19, 2015, Mayor de Blasio and NYCHA Chair and CEO Shola Olatoye announced NextGeneration NYCHA (“NextGen”), a comprehensive ten-year plan to stabilize the financial crisis facing New York City's public housing authority and deliver long-needed improvements to residents' quality of life by changing the way NYCHA is funded, operated and how it serves its residents. Developed over one year from 150 collaborative meetings with NYCHA residents, stakeholders and elected officials, NextGen builds on the de Blasio administration's commitment to stabilize, preserve and revitalize public housing. Facing the worst financial crisis in NYCHA's history, the Authority continues to launch targeted initiatives with the goal of improving resident quality of life and preserving public housing for this and future generations. With increased transparency, infrastructure improvements, and stakeholder engagement, NYCHA is taking meaningful steps to change the way it does business and become a more modern, effective and efficient landlord. NextGen's 15 targeted strategies support four principal goals:

1. Change the way NYCHA is funded
2. Operate like a more modern, efficient landlord
3. (Re)build existing public housing and new affordable housing
4. Engage residents and connect them to best-in-class services

In the past two years of the NextGeneration plan, NYCHA has made major progress in its commitment to improving quality of life for the more-than 400,000 people who call NYCHA home. NYCHA modernized operations using digital technology and implemented flexible property management staff schedules to provide better customer service. We have generated revenue for repairs through ground-floor leasing to businesses and improved rent collection. We've placed more than 5,600 residents in jobs. All this despite the fact that since

2001, NYCHA has lost \$2.7 billion in federal operating and capital funding, and decades of federal disinvestment have left our buildings needing \$17 billion worth of major repairs.

Below are some of the accomplishments achieved:

FUND
Improve resident rent and fee collection.
<ul style="list-style-type: none"> • 3.23% increase in rent collection = \$32 million in new revenue
Maximize the revenue and uses of ground floor spaces.
<ul style="list-style-type: none"> • \$864,000 in new revenue collected from 19 new and 33 renewal ground floor leases in buildings on NYCHA developments
OPERATE
Transform into a digital organization
<ul style="list-style-type: none"> • \$1.2 million in savings resulting from deployment of smart phones to property management staff • 677,000 work orders closed using smart phones • \$960,000 in savings from launch of MyNYCHA app
Improve Customer Service
<ul style="list-style-type: none"> • 12 developments piloted the Flex Ops extended service hours program.
Pursue a comprehensive sustainability agenda
<ul style="list-style-type: none"> • \$3.5 million in annual utility cost savings from the first phase of a large- scale Energy Performance Contract (EPC), benefiting over 45,000 residents at 16 developments • 100% of NYCHA developments now recycle, minimizing waste, protecting the environment, and reducing greenhouse gas emissions • \$460 million in Sandy recovery construction underway at 45 buildings in progress with over 165 NYCHA residents employed on Sandy related work.
Increase safety and security at NYCHA developments
<ul style="list-style-type: none"> • 5978 new lights installed at 16 developments, creating safer communities • 1587 new CCTV cameras and 190 upgraded cameras at 53 developments, enhancing resident safety and security

(RE) BUILD

Devise Capital Planning Strategy

- 67 roofs will be replaced by the end of 2017. Mayor de Blasio has committed \$1.3 billion to fix more than 950 roofs which will benefit over 175,000 residents.

Provide underutilized NYCHA-owned land to support the creation of affordable housing units

- 1,419 units of 100 percent affordable housing in development, creating desperately needed affordable homes
- 800 projected units for NextGen Neighborhoods (50% affordable, 50% market rate)

Leverage HUD programs to preserve housing

- 1,400 units at Ocean Bay Bayside renovated through RAD, benefitting over 3,700 residents and generating \$300 million for repairs.

ENGAGE

Transition from direct service provision to a partnership-based model, and transform resident engagement

- 13,000 residents connected to services through community partnerships
- 50 new Resident Associations will enable more residents to work collectively and effectively to advocate for their development and neighborhood
- 10 new Youth Councils ensure that young residents have a voice and can work with the Authority as partners to help solve their communities' needs

Attract philanthropic dollars for resident services through the creation of a non-profit 501(c)3

- \$100,000 in scholarships donated to the Fund for Public Housing

Connect residents to quality workforce opportunities

- 5,663 residents placed in jobs to support economic mobility
- 646 residents enrolled in NYCHA Resident Training Academy
- 79 residents graduated from the Food Business Pathways program, 18 graduates in the first childcare Business Pathways class

NextGeneration is transforming how NYCHA is funded, operates, builds and rebuilds, and engages residents and connects them to opportunity. In year one, NYCHA is moving in a positive direction and seeing results.

NYCHA's New Reality

Despite the financial challenges, under the leadership of Chair Olatoye, the Authority has successfully balanced its budget 3 years in a row. This was accomplished through increased rent collection, more federal subsidy as a result of higher proration rates, and development revenue coupled with lower utility costs and a lower head count.

Before the year ended, NYCHA took a conservative approach to our budget and assumed a decrease for both eligibility and proration for public housing operations.

In March 2017, NYCHA was informed by HUD of significant reductions to three funding streams vital to NYCHA: two cuts impacting the Authority's day-to-day operations (public housing operations and Section 8 administration) and one cut, which has the potential to impact landlords and voucher holders (the Section 8 subsidy). The HUD notice subsequently went further than our conservative estimates, lowering proration to 85 % for housing operations, reduction of HAP proration from 99.58% to 94% as well as a shortfall for the Section 8 program administration with reduced proration from 84% to 77%.

Since our last report, the financial outlook for the current year has somewhat improved:

- The proration for public housing has increased from 85% to 92.4% based on a July obligation letter from HUD improving funding from operating subsidy by over **\$37M** compared to NYCHA's adopted budget;
- The proration for Housing Assistance Payments, or HAP, which is the Section 8 voucher subsidy for landlords has increase from 94 % to 97% based on latest guidance from HUD.
- These increased in proration are offset by further cuts in the proration rate to administer the Section 8 program, from 77 % to 75.65 %.

At the end of last year, NYCHA's Board approved a conservative 2017 budget and projected that NYCHA could end 2017 with a \$21 million operating surplus. While NYCHA's financial condition for FY'17 seems to be positive, there's potential loss of funding in FY'18 based on preliminary 2018 budget proposal by Trump Administration.

Housing New York, One City: Built to Last, and OneNYC

Housing New York

In May 2014, Mayor de Blasio unveiled **Housing New York: A Five-Borough, Ten-Year Plan**, a comprehensive plan to build or preserve 200,000 affordable units over the coming decade to support New Yorkers with a range of incomes, from the very lowest to those in the middle class. NYCHA has already played a key role in advancing **Housing New York's** goals.

NextGeneration NYCHA – 100%Affordable Housing

The Authority will provide underutilized land for the creation of 10,000 affordable housing units, including a mix of uses, to provide additional amenities. In May 2016, NYCHA and New York City Department of

Housing Preservation and Development (HPD) announced the selection of three development teams to expand affordable housing opportunities at three NYCHA developments: Ingersoll Houses in the Fort Greene neighborhood of Brooklyn, Van Dyke Houses in the Brownsville neighborhood of Brooklyn, and Mill Brook Houses in the Mott Haven neighborhood in the Bronx. The plan to create 100 percent affordable senior and multifamily housing on available NYCHA property was developed in response to resident and advocate calls for more affordable housing options in their communities.

NYCHA intends to ground lease two sites located at Betances V and Betances VI for additional low-income housing development. The RFP was released in 2016 with developer selection occurring in 2017. Section 18 applications will be submitted in 2017 or 2018. Construction is scheduled to begin in 2018.

On June 1, 2017, NYCHA and HPD released an RFP for the development of 100 percent affordable housing apartments for seniors and families on the grounds of Harborview Terrace in Midtown Manhattan; Sumner Houses in Bedford-Stuyvesant, Brooklyn; and Morrisania Air Rights and Twin Parks West, located in Morrisania and Fordham Heights in the Bronx. Developer selection is anticipated for 2017 with construction anticipated to start in 2018 or 2019.

All nine 100 percent affordable housing developments will advance the goals of Mayor de Blasio's Housing New York plan to build or preserve 200,000 affordable housing units over ten years. It also helps achieve NYCHA's commitment to contribute 10,000 of those affordable units within the decade as part of NextGeneration NYCHA, the Authority's 10-year strategic plan.

NextGeneration NYCHA – NextGeneration Neighborhoods

Centered on resident and community stakeholder engagement, the *NextGen Neighborhoods* program enables NYCHA to generate revenue to reinvest back into our development sites and across NYCHA by leveraging a 50-50 split of market-rate and affordable housing units.

NYCHA has been actively seeking resident input at the front end of the process to help shape the final plan. Between September 2015 and May 2016, over 1,300 residents have participated in meetings, visioning sessions, and charrettes at Holmes Towers in Manhattan and Wyckoff Gardens in Brooklyn. Once the developer is selected, NYCHA will continue to engage its residents through a Stakeholder Committee. The Stakeholder Committees will work directly with the selected developer by representing the interests and concerns of NYCHA residents, neighbors, and the community.

The RFP was released in Spring 2016. At Holmes Towers, developer selection was completed in Spring 2017, Section 18 Applications will be submitted in 2018 and construction is anticipated to begin late 2018. Developer selection at Wyckoff Gardens is anticipated for Summer 2017 and construction is anticipated to begin in 2018 or 2019.

An additional NextGen Neighborhoods site was announced at La Guardia Houses in Spring 2017. An RFP is anticipated to be released in 2017, with developer selection expected to occur in 2018. Resident engagement has begun in 2017, and included the launch of a new digital platform, CoUrbanize, for residents to ask questions, provide their thoughts and receive the most up to date information. This resident input will inform NYCHA's agenda before the release of the RFP.

NextGeneration NYCHA – HUD Preservation Programs

NYCHA will use every tool available to protect the affordability of New York City's housing stock and strengthen public housing for this and future generations. By leveraging the Rental Assistance Demonstration

program (RAD), through an initiative called Permanent Affordability Commitment Together (PACT) in NYC, NYCHA will help improve the quality of life for residents, ensuring their apartments and buildings receive much-needed repairs and upgrades while preserving affordability and tenant protections. PACT is a component of NextGeneration NYCHA's 10 year strategic plan to preserve public housing and become a more effective and efficient landlord. Under PACT, NYCHA seeks converting the development's funding source from public housing funds to Project-Based Section 8 to address a development's capital repair needs.

As the funding supporting a development transitions from public housing (Section 9) to Section 8, NYCHA retains ownership and continues to play a key role in decision making and oversight of the project. Under PACT rules, all units in the converted development must remain permanently affordable (rent cannot exceed 30% of resident income), which NYCHA will enforce through agreements with the developer and ownership of the land. Residents will continue to have the same succession opportunities and grievance procedures under the PACT program that currently exist for NYCHA's public housing residents. Residents will retain the right to establish and operate a resident organization. Finally, developers will be required to propose a plan to train and hire NYCHA residents, and proactively engage residents on a regular basis as the project moves forward.

In December 2016, NYCHA closed its first PACT project at Ocean Bay (Bayside), where 1,395 units across 24 buildings in Far Rockaway, Queens were converted from public housing to Section 8 through HUD's Rental Assistance Demonstration program. By partnering with a development team called RDC, comprised of MDG Design + Construction, the Wavecrest Management Team, Catholic Charities of Brooklyn and Queens, and Ocean Bay Community Development Corporation, Bayside received \$325 million for extensive capital improvements at the site, including resiliency measures in anticipation of future natural disasters like Hurricane Sandy, better heating systems, new roofs, and interior unit upgrades, including updated kitchens and bathrooms. Extensive security updates including over 600 security cameras and a new key fob access control system will be installed at the site. Solar panels to be installed on the roofs of many of the buildings will generate over 500 kw of energy in total and will be one of the largest installations at an affordable housing development in the State of New York.

In June 2016, NYCHA submitted PACT applications to the United States Department of Housing and Urban Development (HUD) for 40 additional developments with approximately 5,200 units. Those developments that were initially selected for PACT applications are scattered sites and high need developments. Development selection considered a PACT conversion's ability to improve a development's maintenance, management, and physical condition. In January 2017, HUD approved NYCHA to convert approximately 1,700 units in the Bronx and Brooklyn. On March 17, 2017, NYCHA released a Significant Amendment to the FY 2017 Annual PHA Plan for public review as part of the process to convert the units at these developments from public housing subsidies to Project Based Vouchers (PBV).

In June 2017, NYCHA issued a Request for Proposals to identify development partners to facilitate the conversion of funding, perform the required capital rehabilitation, undertake property management, and deliver social services at the 17 approved developments. NYCHA expects to select its development partners for this next round of PACT transactions by the end of calendar year 2017.

PACT Program for Unfunded Units

On July 13, 2017, NYCHA announced it is expanding the Permanent Affordability Together Commitment (PACT) program to protect the Authority's unfunded unit portfolio. The unfunded unit portfolio, consisting of the 8 developments known as the LLC II developments, are listed in Attachment B. PACT is a NYCHA program to make major improvements to developments while preserving long-term affordability and maintaining strong resident rights through public-private partnerships.

Previously, NYCHA's PACT program was synonymous with the federal Rental Assistance Demonstration (RAD). PACT now includes portfolios financed by RAD as well as the unfunded unit portfolio.

Federal disinvestment in public housing has resulted in a severe funding gap and \$17 billion in unmet infrastructure needs. To make significant repairs, more effectively manage the unfunded unit portfolio and strategically deploy NYCHA's limited financial resources, the unfunded unit portfolio will join PACT.

The unfunded unit portfolio currently receives no public housing funding. To finance badly needed repairs at these developments and preserve their affordability, NYCHA is expanding PACT to create a public-private partnership and bring these units into the Authority's Housing Choice Voucher (Section 8) program. PACT's key principles, which apply to both the RAD portfolio and the unfunded unit portfolio, include protecting long-term affordability and guaranteeing strong resident rights. This is accomplished by shifting the funding source for apartments to NYCHA's Section 8 program and creating a public-private partnership with management and development partners to raise funds, complete badly needed repairs, including roof replacements, façade repairs and enhanced security features, and efficiently oversee day-to-day operations. By switching to Section 8, residents will have stable funding and guaranteed rights.

The LLC II developments were originally built and funded by City and State subsidies but never funded directly by HUD. These developments currently "share" in the federal funds provided for NYCHA's public housing. This costs NYCHA more than \$23 million a year. Additionally, the 8 developments require \$640 million in capital repairs, but while they remain unfunded, the buildings continue to deteriorate.

Currently, when a resident vacates their apartment, the Authority converts it to Section 8. Through this process, 1,467 units in these developments are already part of Section 8, and through PACT, the remaining 4,207 unfunded units will convert to Section 8.

Like public housing, residents will not pay more than 30 percent of their income towards rent. PACT residents will have rights similar to those enjoyed by residents in traditional public housing. This PACT strategy is an unprecedented financing model to support these apartments, prevent them from falling into complete disrepair and protect their affordability and residents' rights.

Units in the RAD portfolio are currently funded through federal public housing subsidies, whereas the unfunded units receive no direct public housing funding. The units are not eligible for RAD because they do not receive direct public housing funding – a requirement of the RAD program. As a result, there is a different financing mechanism for this conversion.

Shifting the units to the Section 8 Housing Choice Voucher program will bring new, stable revenue to the developments and allow for substantial improvements to be made to the buildings. Additionally, funding

previously diverted to these developments from the rest of NYCHA's portfolio will now go towards operation and maintenance at NYCHA's traditional public housing developments.

Long-term affordability is guaranteed through multiple mechanisms. First, the Section 8 contract requires long-term affordability. Additionally, NYCHA intends to enter into a long-term ground lease with private partners who will repair and manage the development. NYCHA will continue owning the land, maintaining a significant stake in the ownership structure and overseeing major decisions.

On July 21, 2017 NYCHA released a Significant Amendment to the Fiscal Year 2017 Annual PHA Plan for public review as part of the conversion process pursuant to 2 CFR Part 200 for the developments. Through this action, all units in the developments will be operated outside of the federal public housing program. Families will be transitioned to Section 8 assistance. Families ineligible for Section 8 assistance will be allowed to remain in place and pay no more than 30% of their income for rent.

Community engagement will begin at Baychester and Murphy Houses this summer and the RFP for Baychester and Murphy will be released in fall 2017, with developer selection planned for winter 2018. The remaining 6 developments will begin community engagement as soon as HUD approvals for conversion are received, which are expected between 2017 and 2019. Completion of the full PACT conversion is expected by 2026. Residents and community partners will be updated as soon as additional information or approvals are available.

One City: Built to Last

NextGeneration NYCHA is also informed by the Mayor's sweeping energy efficiency and reduction emission plan for City buildings, **One City: Built to Last**. This plan, released in September 2014, commits to an 80% reduction in the City's greenhouse gas emissions by 2050. NextGeneration NYCHA provides strategies for NYCHA to become more sustainable and resilient, to prepare for a changing climate, and to mitigate greenhouse gas emissions.

The NextGeneration NYCHA Sustainability Agenda

In April 2016, New York City Housing Authority (NYCHA) released its Sustainability Agenda, a ten-year roadmap for creating healthy and comfortable housing that will withstand the challenge of climate change. The Sustainability Agenda is a central strategy of NextGeneration NYCHA, the Authority's long-term strategic plan to become a more efficient and effective landlord, in order to improve the quality of life for NYCHA residents. It is also an invitation to residents and surrounding communities to work with NYCHA to realize a shared long-term vision of equity, sustainability, and resiliency. <http://www1.nyc.gov/site/nycha/about/sustainability.page>

The Sustainability Agenda includes 17 targeted strategies, which are meaningful ways NYCHA plans to meet the de Blasio administration's emission-reduction goals (One City: Built to Last) and resiliency and sustainability objectives (OneNYC.) The plan also outlines NYCHA's commitment to federal sustainability goals, including a pledge to develop 25 MW of renewable energy capacity by 2025 as part of Renew300, a joint HUD-DOE initiative. NYCHA has also committed to participate in HUD's Better Buildings Challenge to cut energy intensity in the Authority's buildings portfolio-wide by 20% over the next decade.

Here are some highlights of our accomplishments since launch of the Sustainability Agenda:

Strategy S1: Attract investments for capital improvements

NYCHA is well on the way toward its goal of obtaining \$300 million via HUD Energy Performance Contracts (EPCs). Two EPCs totaling \$150 million have been submitted to HUD for approval, and two more are on track to be submitted this year.

And since Earth Day 2016 NYCHA has secured:

- \$56 million in private financing for HUD Energy Performance Contracts (EPCs)
- \$1 million in NY State Weatherization (WAP) grants, with energy audits for another \$14 million in new WAP projects underway

Strategy S3: Create healthy indoor environments

Implement a Comprehensive Mold Response Initiative: NYCHA has launched Mold Busters, a pilot program that trains NYCHA staff to find the root causes of mold and eliminate them. The pilot will run from May 1, 2017 to April 30, 2018 and will include 38 developments in Brooklyn, Manhattan, Queens, and the Bronx. Results will be evaluated by a Columbia University researcher.

Strategy S6: Adopt a comprehensive waste management plan

Install recycling infrastructure throughout NYCHA's portfolio: In 2016, NYCHA completed the installation of 1,500 recycling bins. All NYCHA developments now have recycling infrastructure.

Strategy S8: Eliminate roof, façade, and plumbing leaks

In January 2017, Mayor de Blasio announced that the City will invest \$1 Billion to replace roofs at more than 700 NYCHA buildings.

Strategy S10: Retrofit scattered-site developments

Sunset Park Redevelopment Corporation (SPRC), a NY State Weatherization (WAP) agency, completed energy efficiency upgrades at Howard Avenue Houses this past March. This was the first time in the 40 year history of WAP that NYCHA buildings have benefitted from the program. SPRC will begin upgrades at Belmont-Sutter Houses in May. Six additional WAP agencies are currently conducting energy audits of 18 developments comprising 2,238 apartments.

Strategy S11: Build green infrastructure

DEP expects to complete the green infrastructure (GI) installation at Edenwald Houses, the largest GI installation in the city, by end of 2017. Additional developments are under assessment.

Strategy S14: Connect residents to green jobs

NYCHA employed 28 residents to work on energy efficiency projects. As NYCHA begins construction on more of these projects, we expect to hire more than 50 residents through Section 3 by 2019.

In partnership with the Department of Sanitation's Bureau of Recycling and Sustainability, the NYCHA Resident Training Academy (NRTA) trained 148 janitorial trainees on NYCHA's new recycling initiatives. In addition to a 6-hour recycling workshop, the training included a half day visit to the Sunset Park Materials Recovery Facility operated by Sims.

Strategy S17: Test “deep” energy retrofit technologies

In order to test new technologies, NYCHA and the Mayor’s Office of Technology Innovation (MOTI) conducted the first two Calls for Innovations, which requested proposals to reduce in-apartment electricity consumption and improve efficiency of heating and hot water systems that use ConEd district steam. Three proposers were selected to conduct pilot installations in 2017-2018

OneNYC

Lastly, NextGeneration NYCHA is a part of **OneNYC**, the Mayor’s plan for growth, sustainability, resiliency, and equity released in April 2015. As NYC heads into its fifth century and tackles the challenges of a growing population, an evolving economy, and growing inequality, NextGeneration NYCHA plays an important role in ensuring the vision of a thriving, just, equitable, sustainable and resilient city. Through multiple initiatives, including capital improvements, affordable housing, sustainability efforts, and recycling, NYCHA continues to play a key role in the success of **OneNYC**.