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May 9, 2012

Dear Fellow New Yorker:

The Board of the New York City Housing Authority is pleased to present you with the five-year financial Capital and Operating Plans for the years 2012 through 2016. These plans begin to incorporate many of the ambitious initiatives outlined in *Plan NYCHA: A Roadmap for Preservation*, and reflect our most important priorities, from preserving aging buildings and ensuring long-term financial stability to investing in the frontline staff who work in our developments every day. Together, they demonstrate how NYCHA is rising to meet the challenges of severe underfunding and doing our part to ensure that public housing continues to serve future generations of New Yorkers.

The **five-year Capital Plan** provides \$2.4 billion for planned commitments for infrastructure improvements, major modernization, and other systemic upgrades. The *Plan NYCHA* initiatives we are pursuing will enable us to maintain prior plan capital commitment levels of \$2.4 billion despite an anticipated \$300 million reduction in annual federal capital grant awards over the five-year planning period. These initiatives include:

- **Securing a \$500 million bond issue under HUD's Capital Fund Financing Program.** We anticipate that NYCHA's sister agency, New York City Housing Development Corporation, will serve as issuer of these bonds, and the proceeds will be used to complete critically needed capital work focused on building envelopes;
- **Enhancing our partnership with the City.** The recent \$10 million commitment by the City Council will help us to hire residents to perform critical maintenance and repair work;
- **Recapitalizing and rehabilitating contract-based Section 8 properties.** We anticipate that the proceeds of this recapitalization will be sufficient to finance comprehensive rehabilitation of the contract-based Section 8 properties as well as allow for funding of capital work at other NYCHA properties.

Other highlights of the Capital Plan include a mixed-finance transaction in partnership with New York City Department of Housing Preservation and Development to perform a major renovation of Randolph Houses in Harlem, as well as commitments of more than \$600 million for brick and

roof work, over \$200 million for elevator replacements, and over \$200 million for heating and plumbing work in developments around the city.

The **five-year Operating Plan** also incorporates several initiatives central to *Plan NYCHA*. Taken together, we expect these initiatives to eliminate NYCHA's structural operating deficit by 2015. They include:

- **Implementing new rent policy to establish greater fairness in rents among residents.** Rent for the 47,000 public housing households that pay less than 30 percent of family income will gradually be raised. There will be no impact on the more than 70 percent of public housing households that already pay 30 percent of their income in rent;
- **Securing funding for approximately 5,700 public housing units that still receive no dedicated subsidy.** These units contribute approximately \$30 million to NYCHA's structural operating deficit, requiring NYCHA to further draw on declining operating reserves. Beginning 2013, NYCHA will convert more of these units to the Section 8 funding model;
- **Developing ancillary revenue streams, including new advertising and sponsorship revenues.** NYCHA has a unique opportunity to leverage its assets and communities to generate desperately needed additional income. Residents and resident leadership will be engaged in a collaborative process to develop advertising and sponsorship programs that will adhere to guidelines regarding acceptable advertisers and creative execution of ads;
- **Improving central office and administrative efficiencies.** Following an extensive year-long assessment of central office and administrative support functions, NYCHA has a comprehensive plan to generate \$35 million of savings by 2016 which can be redirected to the frontline;
- **Investing in maintenance and repair.** The City Council's \$10 million commitment will help NYCHA to hire 176 residents for frontline jobs to address maintenance and repair needs. Other resources redirected from administrative functions will enable us to spend an additional \$27 million annually on reducing the maintenance and repair backlog.

While these *Plan NYCHA* initiatives will help maintain the five-year capital plan commitments at \$2.4 billion and eliminate NYCHA's structural operating deficit by 2015, public housing in New York City still faces unprecedented challenges. Chronic federal underfunding of both capital and operating budgets combined with aging buildings have resulted in an estimated \$6 billion in unmet capital needs and a half billion dollars in deferred apartment maintenance and repair needs across NYCHA's portfolio.

For 2012, NYCHA's federal capital grant is \$270 million compared to \$420 million in 2001 – a 36 percent decline in federal support – and our operating funding is more than \$100 million below HUD's eligibility formula that is intended to reflect the costs of operating public housing. We can expect further underfunding in the years to come: the President's proposed budget for 2013 suggests another \$90-100 million operating funding loss versus eligibility, before the substantial risk of Congressional sequestration.

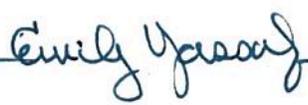
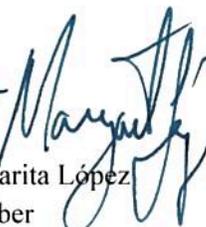
NYCHA requests further funding support from our partners in the City Council to address the substantial deferred maintenance and repair needs affecting our developments. The \$10 million commitment the Council announced this year will have a significant impact on our efforts to accelerate reduction of the work order backlog through hiring more workers – NYCHA residents – and providing them with the tools and supplies needed for faster and more effective responses to repair requests. Additional funding will result in even greater strides forward, and even greater benefits to residents as wait times to complete repairs are reduced and living conditions and quality of life are improved. In total, the last two plans have dedicated over \$30 million incremental NYCHA resources annually towards frontline maintenance and repair activities. NYCHA requests its City partners to match this funding. An additional \$30 million would enable NYCHA to hire some 500 more workers and complete some 100,000 more repair work orders each year.

NYCHA also seeks the support and advocacy of our City Council partners as we pursue key *Plan NYCHA* initiatives to deliver needed capital work and eliminate the operating deficit by 2015. Specifically, NYCHA asks for support as we execute the Section 8 rental plan, which balances the competing demands of many stakeholders – including the 100,000-plus New Yorkers on the Section 8 waiting list, private landlords, and developers – with NYCHA’s need to secure funding for unsubsidized public housing units. This initiative will introduce a steady and continuing funding stream for units currently not receiving any form of subsidy while providing protections for residents at the affected developments. NYCHA also seeks support in its pursuit of new advertising and sponsorship revenues, which will bring additional resources that directly benefit our residents and their communities. Inaction is not an option and given the circumstances we face will certainly result in failure to achieve the goal we all share: providing the best possible services to the maximum number of eligible New Yorkers.

In response to the unprecedented challenges facing us today, NYCHA is undertaking a major transformation needed to preserve the precious public housing asset in New York City. Our 11,000-plus employees work creatively and tirelessly every day to improve services for residents and ensure that public housing and Section 8 remain vital resources for future generations – but our efforts alone will not be enough. We are calling on all public housing stakeholders – residents, policymakers, advocates, and all New Yorkers – to join in this fight.

On behalf of NYCHA and the more than 650,000 New Yorkers we serve, thank you for helping to build a bright future for public housing in our city.

Sincerely,

			
John B. Rhea Chairman	Emily A. Youssouf Vice Chair	Margarita López Member	Victor A. Gonzalez Member