

**TESTIMONY FROM NYCHA CHAIR AND CEO SHOLA OLATOYE**  
***PRELIMINARY BUDGET HEARING***  
**COMMITTEE ON PUBLIC HOUSING WITH THE SUBCOMMITTEE ON CAPITAL BUDGET**  
**WEDNESDAY, MARCH 14, 2018 – 1:00 PM**  
**COUNCIL CHAMBERS, CITY HALL, NEW YORK, NY**

Chairs Alicka Ampry-Samuel and Vanessa Gibson, members of the Committee on Public Housing and Subcommittee on Capital Budget, and other distinguished members of the City Council: good afternoon. I am Shola Olatoye, Chair and CEO of the New York City Housing Authority. I am pleased to be joined by Acting General Manager Vito Mustaciuolo; Deborah Goddard, Executive Vice President for Capital Projects; Tricia Roberts, Vice President for Finance; and other members of NYCHA's executive team. Thank you for this opportunity to present the Authority's adopted budget, which was approved by the NYCHA Board of Commissioners on December 20, 2017.

**The State of Affairs for Public Housing**

This month marks my fourth year as NYCHA's chair and CEO. I took on this role to improve the quality of life for residents, reset relationships, and stabilize the agency's finances. To do that, we developed NextGeneration NYCHA, the Authority's 10-year strategic plan and turnaround effort. With it, we've been able to balance NYCHA's operating budget for three years in a row, build up our reserves, launch the largest development program in our history, and improve quality of life for residents through innovative federal programs like the Rental Assistance Demonstration (RAD) and Energy Performance Contracts.

For four years, I've discussed NYCHA's dire financial state, including its enormous capital needs and the \$3 billion loss in federal operating and capital funding since 2001. We are a federally funded agency, and federal underfunding remains the number one threat to public housing across the nation. While we are operating under a two-year federal budget agreement, we do not know what our specific allocations from HUD will be in the years 2018 and 2019.

The President's proposed 2018 budget makes it painfully obvious that the federal government seeks to fully abandon public housing, and that it wants local governments as well as residents (through a rent hike) to make up for this disinvestment. But as I have said, we will not let DC walk away from its responsibilities. The stakes are simply too high for the 1 in 14 New Yorkers who call NYCHA home – the teachers and police officers, seniors and veterans, who are the backbone of our great city. We will not turn our backs, but it will require bold and unpopular shifts in how we do business.

### **NYCHA's Budget Outlook**

Before I take you through some of the accomplishments we've made despite these challenges, I'd like to discuss our projected operating revenues and expenses. I will also discuss our capital budget later in the testimony.

In 2018, NYCHA expects to receive approximately 20 to 23 percent of the public housing operating funding appropriated by Congress for all public housing authorities, based on historical trends. This is \$108 million less than we are eligible to receive – because HUD rations (or prorates) the limited federal funds it allocates to all the public housing authorities across the country.

With total revenue of \$3.339 billion and expenses of \$3.327 billion, we are projecting a slight surplus of \$12 million for 2018.

Two of our largest expenditures are employee benefits and utilities, for which we are budgeting \$572 million and \$544 million in 2018, respectively. These are also the expenses most out of our control. Even with central office headcount going down by more than 1,000 over the past decade due to attrition and transfers to other City agencies, our health care and pension costs have gone up by \$185 million during that same period – a 51 percent increase. The cost of utilities is also variable and unpredictable.

Our largest sources of revenue include rent from residents and federal operating funding. But the money we receive from the federal government and collect in rent are not enough to cover our costs as a landlord: After combining rent and federal operating funds, there's still a \$268 per unit annual deficit. And there's been an increase in chronic rent delinquency at NYCHA, much of which can be attributed to the HUD-mandated flat rent increases: nearly 95,000 households saw their rent go up by an average of 46 percent (or \$200 a month) since January 2014. Under the current policy, residents pay 30 percent of their adjusted income toward rent, which factors in certain deductions and expenses. If the President's draconian vision comes to pass and residents' rent is raised to *35 percent* of their gross income, we expect a negative impact to our rent collection rate, because many residents won't be able to afford a 33 percent rent increase.

We rely on the federal government for nearly two thirds of our funding. As I mentioned, for 2018, we expect to receive 20 to 23 percent of the public housing operating funding appropriated by Congress. But under the President's vision, our operating funds would be slashed by more than a third.

Currently, for our Section 8 program, we expect a funding proration rate of 95 percent this year, along with a \$6.5 million cut to the funds for running the program. Although we do not anticipate a Section 8 program deficit in 2018, if the final federal budget results in more cuts, we would have to stop issuing turnover vouchers. If the President's proposed Section 8 proration rate of 88 percent is enacted, we would lose nearly 10,000 existing Section 8 vouchers. It is more imperative than ever for us to rally against the federal government's starvation of public housing.

### **NextGen NYCHA Progress**

Since its release nearly three years ago, NextGeneration NYCHA has served as a critical roadmap for fundamentally changing the way we do business at the

Authority. Turnaround efforts take time, but I think we can all agree that we want to keep moving forward.

### *Stabilizing the Authority's Finances*

Put simply, the more revenue we have, the more we can do to support our residents' quality of life. Since 2015, NYCHA has achieved more than \$313 million in savings from NextGen initiatives. That includes the Mayor's relief of payments to the City (\$84 million), reduced central office costs (\$47 million), converting formerly unfunded units built by the City and State to a Section 8 funding stream (\$16 million), RAD at Ocean Bay (\$44 million), and our public-private partnerships involving six Section 8 developments (\$108 million).

And by reducing the number of central office staff by more than 600, we have been able to add 239 frontline positions.

### *Operating More Efficiently and Effectively*

Improving our operations is another way we can serve residents better, and another crucial aim of NextGen NYCHA. Before we launched our strategic plan, basic repairs took an average of 13 days to be completed. We've brought that down to four days. At our 56 NextGen Operations sites, where we've empowered property managers with more control and accountability, basic repairs are being completed even faster. But if there are more cuts from Washington, it is unlikely we'd be able to continue driving down repair times.

Our NextGen digital initiatives are also streamlining our operations. Thirty-seven hundred employees – including maintenance, skilled trades, and emergency services staff – are now equipped with smartphones, enabling them to open and close work orders while getting resident sign-off on the work on-the-spot. Using their smartphones, maintenance workers are completing 9 percent more work orders. Residents have used the MyNYCHA mobile app to open more than a half

million work orders since it was launched. Last year, we finished rolling out online annual income certification to streamline the process for residents – and now office staff have more time to focus on other tasks.

Through the NextGen Sustainability Agenda, NYCHA is reducing its carbon footprint, benefitting residents and the city at large. We brought recycling to all 325 developments. And we started work on three large-scale Energy Performance Contracts that will upgrade lighting and heating systems while reducing energy usage, part of an approximately \$300 million initiative.

Under the Mayor’s Action Plan, we’ve installed more than 6,200 security lights at 14 developments which had the highest crime rates in 2014, with a more than \$140 million investment from the City – and we’re in the process of installing security cameras and high-tech building entry systems at all of these sites. Thanks to City Council Fiscal Year 2017 funding, we installed about 560 security cameras and upgraded 38 cameras at 19 developments – on time. Crime dropped more than seven percent across NYCHA developments last year.

*(Re)building, Expanding, and Preserving Public and Affordable Housing*

Our capital budget includes three sources: federal funding from HUD, federal FEMA funding, and City funding. In recent years, HUD has provided NYCHA with about \$300 million annually in federal capital funds. For 2018, we allocated about \$222 million for roof and façade repairs, heating plant replacements, elevator rehabs, and bathroom renovations.

If the President has his way, and our federal capital funding is zeroed out, these vital projects will be halted at our aging buildings – 60 percent of which are more than a half century old – and residents will suffer the consequences.

While the federal capital funding we receive is far from enough to meet our buildings’ vast capital needs – and has declined by a cumulative \$1.6 billion since

2001 – we’re using the money we do receive as quickly and efficiently as possible to improve residents’ quality of life. More than a billion dollars of construction work is currently underway across the Authority. In the past four years, we’ve committed our federal capital grants within an average of 12 months – well ahead of HUD’s 24-month obligation deadline – and spent the grants an average of 15 months ahead of the 48-month deadline. We completed our Bond B work ahead of schedule: about \$500 million of major improvements at 319 buildings.

By the end of 2017, we had awarded \$1.85 billion in contracts as part of our historic FEMA grant to repair and strengthen 33 Sandy-impacted developments. At that point, we had spent \$730 million of these funds, and hired about 250 NYCHA residents in the process. In the next two years, we expect to spend approximately \$1.7 billion on the Sandy recovery and resiliency program. Residents are getting new roofs, electrical systems, and boilers; backup power; and flood protection.

We are addressing some of our buildings’ most critical infrastructure issues thanks to Mayor de Blasio’s support. He has committed an unprecedented level of resources to the Authority, including \$1.3 billion to fix nearly 1,000 roofs, millions to repair facades at over 400 buildings, and, most recently, \$200 million to replace boilers and upgrade heating systems at 20 developments. We completed roof replacements at 63 buildings, and construction for the second set of buildings is on schedule to begin this May.

We appreciate the extraordinary support from the Mayor and this body, which is enhancing our capital projects going forward. However, City funds are not a replacement for HUD funding. So we must continue advocating for capital investment from the federal government. Considering the massive needs, any cuts to capital funding are unacceptable and have a severe and immediate impact on our residents.

Recently, there has been a lot of attention on ways the State can further step up to help improve the quality of housing at NYCHA. The Assembly is already leading the way – by including \$200 million in new capital funding to match the City’s contribution and passing design-build this week. The City has sought design-build authority for years – it matters because it could shave a year or more off the time it takes to replace much-needed heating systems at NYCHA. Moreover, it would be helpful for the leadership at the State to release the \$200 million allocated to NYCHA in last year’s budget, commit to \$200 million in new capital dollars in this year’s State budget, and to sign design-build for all NYCHA projects into law.

It’s important to note that with the steady decline in federal capital dollars, NYCHA is pursuing innovative ways to fund the building and apartment upgrades that residents deserve. Last year, we closed on the largest single-site RAD transaction in the nation, bringing \$325 million to repair and modernize 1,400 apartments at Ocean Bay-Bayside in the Rockaways, home to 4,000 residents. That means new kitchens and bathrooms, new roofs, and state-of-the-art security and heating systems for residents. We selected developers for three new RAD bundles, which will raise \$300 million for extensive repairs to an additional 1,700 apartments throughout the Bronx and Brooklyn.

Our NextGen Neighborhoods program is bringing desperately needed affordable housing to our city and revenue for building upgrades at NYCHA. To date, we’ve announced four sites where this vital program will create a 50/50 mix of affordable and market-rate housing on under-utilized land: Holmes Towers, Wyckoff Gardens, La Guardia Houses, and Cooper Park Houses. This represents more than 750 new affordable apartments currently in the pipeline.

### *Engaging Residents and Connecting Them to Opportunity*

Our work to support residents goes beyond the foundations of an affordable home – we also connect residents to life-changing opportunities. Since the launch

of NextGen NYCHA, our Office of Resident Economic Empowerment and Sustainability and partners have facilitated more than 8,200 resident job placements and over 19,000 connections to services. Through job training, union apprenticeship programs, and business courses, we are providing residents with many pathways to opportunity.

And we're engaging people in new and different ways with 14 new Youth Councils, dedicated engagement on our real estate development activities, and, thanks to the City Council, our recently launched Resident Leadership Academy.

## **Conclusion**

With NextGeneration NYCHA as our guide, we are strengthening our organization and improving the quality of life for our residents. But decades of disinvestment don't come undone overnight – and there is no NYCHA fairy waiting in the wings to rescue us. Put simply, we need a sustainable financial model. Our residents deserve it.

Come to the table to help us address the challenges – we cannot solve them on our own – and stand with us as we urge DC and Albany to provide public housing with the funding and resources it needs. We are home to 600,000 people, a population greater than Atlanta: The stakes are too high for us to be divided when the Trump administration's fiscal threats remain. Last year, we came together as partners – elected officials, residents, and advocates – to make the case for public housing, and we will fight tirelessly again this year.

We appreciate the support we've received from the Mayor, City Council, and other City agencies for our NextGen NYCHA initiatives. This assistance is critical. While City funding can supplement but cannot replace HUD funding, we encourage Council Members to allocate more funds for capital projects that will improve resident quality of life, like new boilers, elevators, and gas risers. And we

ask that you stand with us as we urge Albany to pass design-build legislation that will enable us to complete major capital projects faster.

There is more work to be done. Thank you for your support. We will take your questions now.