

**TESTIMONY FROM NYCHA EXECUTIVE VICE PRESIDENT FOR CAPITAL PROJECTS
DEBORAH GODDARD
NYCHA'S 2017 PHYSICAL NEEDS ASSESSMENT
COMMITTEE ON PUBLIC HOUSING WITH THE SUBCOMMITTEE ON CAPITAL BUDGET
THURSDAY, NOVEMBER 15, 2018 – 10:00 AM
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 members of the City Council: good morning. I am Deborah Goddard, Executive Vice President for Capital Projects. I am pleased to be joined by James Scanlon, Vice President for Capital Planning and Design, and other members of NYCHA's team.

The PNA and Its Development

Thank you for this opportunity to discuss NYCHA's 2017 physical needs assessment (PNA), a thorough accounting of the Authority's short- and long-term capital needs, including apartment, architectural, electrical, mechanical, and site needs for each development. These estimates help inform capital planning for infrastructure improvements, modernization, and other systematic upgrades.

Available on our website, the PNA is updated every five years. NYCHA's previous PNA was developed in 2011-2012. In 2016, NYCHA procured the team of STV/AECOM, well-respected engineering and construction management firms, to perform a PNA of all our developments. Beginning in May 2016, about 140 inspectors spent 10 months assessing our properties. The 2017 PNA, which was issued this year, identified \$31.8 billion in capital needs across the Authority.

The 2017 PNA reflects improvements in assessment methods over the 2011 PNA. For example, inspectors conducted the first energy audit of NYCHA's portfolio, and aerial infrared scans of our buildings indicated where there are leaks in roofs. As a result, the 2017 PNA provides more accurate data on building components and additional detail on existing conditions. It also provides greater detail on the cost of the work needed at our properties.

The 2017 PNA shows that the greatest needs are for apartments (about \$13 billion); architectural (about \$11 billion), which includes windows, stairs, roofs, and entry doors; and mechanical (about \$3 billion), which includes heating and water systems.

Increase in Capital Needs and Costs

The previous PNA indicated capital needs of \$16.6 billion across the Authority. For instance, kitchens, bathrooms, roofs, heating systems, and elevators accounted for about \$6.6 billion of the total need. Today, in contrast, these needs stand at about \$11.6 billion.

There are several reasons the PNA increased from \$16.6 billion to \$31.8 billion:

- Much of the unmet capital needs in the 2011 PNA were carried forward to the 2017 PNA. This was inevitable given that NYCHA received only \$1.5 billion from HUD over the past five years, and the \$16.6 billion represents only the most immediate five-year need; and
- Continued deterioration of NYCHA's aging properties accounts for \$5.2 billion of the increase.

It's important to note that almost \$10 billion, two thirds of the increased costs, is tied to factors other than the condition of our buildings:

- Inflation increased costs by \$4.4 billion; and
- As we are all aware, New York continues to experience a huge construction boom, taxing resources and leading to a market escalation costing us \$5.4 billion.

Challenges That Contribute to the Capital Needs

NYCHA is confronting significant and fundamental challenges that have contributed to the rise in the Authority's capital needs. Since 2001, the federal government has reduced NYCHA's funding by a total of approximately \$3 billion, half of which is capital funding, and this does not account for the impact of inflation. To put that in perspective, during this period, when NYCHA has suffered from a substantial loss of resources to repair and improve our buildings, the City's budget has more than doubled – which is likely true for any municipal budget.

At the same time, NYCHA's buildings – the majority of which are more than a half century old – continue to age and deteriorate, increasing the costs to maintain and improve them.

A NextGen Plan to Reduce the Capital Needs

We developed NextGeneration NYCHA, our long-term strategic plan, to address these enormous challenges, by stabilizing the Authority's finances and securing additional resources to help ensure its longevity.

We are reducing our properties' capital needs through several key NextGen initiatives. HUD's Rental Assistance Demonstration (RAD) program is enabling us to convert certain developments to a Section 8 funding stream. In 2015, we announced that 15,000 units would be converted to Section 8 through RAD. However, as Chair Brezenoff said at last month's Council hearing, we are seeking to increase implementation of the RAD program substantially. Through the PACT Unfunded Units program, we are transferring apartments that do not receive dedicated federal funding to the Section 8 program. This will generate funds for repairs and renovations at our unfunded sites.

We're fortunate that Mayor de Blasio has devoted unprecedented resources for public housing. With \$1.2 billion committed by the Mayor over 10 years, we are replacing more than 950 roofs, benefitting over 175,000 residents.

About \$875 million of the historic grant we received from FEMA for Sandy recovery at our impacted developments will go toward capital improvements captured in the PNA. Through HUD's Energy Performance Contracting program, we are investing about \$230 million in new boilers and heating systems as well as new lighting and water conservation measures – improvements funded by the cost savings from reduced energy consumption.

We are also investing the federal government's five-year projected allocation of \$1.3 billion in capital funding in critical areas such as building envelopes, core systems, and bathroom renovations. The State has allocated \$450 million in capital funding, although it has yet to be received. These funds would repair heating systems at approximately 24 developments and elevators at approximately 11 developments.

All told, these investments and strategies, along with other government commitments, will reduce NYCHA's capital needs by billions of dollars. While NYCHA appreciates every dollar we're receiving, the increase in capital projects has stressed our capacity; therefore, we are increasing our infrastructure by bringing on program managers to augment our current staff. Given the uncertainty in federal funding from year to year, we do not believe it is prudent to hire significantly more permanent staff to manage our capital budget.

Conclusion

Unfortunately, there is no magic wand that will summon the funds to address all of NYCHA's outstanding capital needs. However, we are doing everything we can to preserve and improve our buildings, including using our limited funds wisely, pursuing RAD and other development programs, and advocating for additional funding from all levels of government, especially the federal government. We must take an aggressive approach, using every tool at our disposal to bring more resources to the Authority and our residents.

Thank you for your support. We look forward to our continued partnership to improve the quality of life of our residents. We are happy to answer any questions you may have.