

**TESTIMONY FROM INTERIM CHAIR AND CEO KATHRYN GARCIA**  
***PRELIMINARY BUDGET HEARING***  
**COMMITTEE ON PUBLIC HOUSING WITH THE SUBCOMMITTEE ON CAPITAL BUDGET**  
**FRIDAY, MARCH 22, 2018 – 2:00 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 Kathryn Garcia, Interim Chair and CEO of the New York City Housing Authority. I am pleased to be joined by General Manager Vito Mustaciuolo; Plachikkat V. (PV) Anantharam, Executive Vice President for Finance and Chief Financial Officer; Deborah Goddard, Executive Vice President for Capital Projects; and other members of NYCHA's executive team. Thank you for this opportunity to present the Authority's adopted budget, which was approved by NYCHA's Board on December 19, 2018.

**A New Vision for New York City's Public Housing**

My top priority is to better serve the hundreds of thousands of New Yorkers who call NYCHA home. There has been real progress over the past year to improve the quality of life for residents and to focus on pressing health and safety concerns, including presumed lead paint, mold, pests, and heat and elevator service.

We are making progress. Despite the fact that NYCHA has enormous capital needs totaling nearly \$32 billion, initiatives are underway to conduct XRF lead-paint testing in 135,000 apartments; reduce heating outages and response times; invest in new heating plants, roofs, and elevators; provide residents with seven-day service at their developments; renovate more than 60,000 apartments; and make \$24 billion worth of repairs for residents.

Faced with declining federal funding, we are not sitting idly by waiting for easy and improbable solutions – we are developing plans, taking action, and making measurable improvements for residents.

While we do not know what our specific allocations from HUD will be in 2020, on March 11, the President again proposed cutting financial support for public housing authorities across the country. I want to thank Senator Schumer and our congressional delegation for the work to ensure our 2019 funding of an estimated \$980 million in operating funding and \$533 million in capital funding, and again request their advocacy on our behalf to avert the President's latest budget cuts. We are awaiting final confirmation on these figures. But any additional dollars will be invested in addressing critical health and safety issues impacting our residents, in the areas of lead paint, mold, pests, and heat and elevator service.

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

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

The 2019 budget projects \$3.51 billion in revenues and \$3.48 billion in expenses. We have budgeted conservatively and estimate a small surplus of \$33 million at year-end.

NYCHA receives two-thirds of its revenues from federal sources. The budget assumes a proration factor of 92.5 percent for the public housing operating subsidy, based largely on historical trends. This is approximately \$77 million less than what NYCHA is eligible for. The \$3.51 billion in revenues includes \$1.17 billion for Section 8 vouchers, \$944 million in federal subsidy for public housing, \$1.05 billion in rent from residents, and \$288 million in City funds.

Our largest expense is the \$1.03 billion payment to private landlords through Section 8 funds. The other expenses include \$777 million in salaries, \$569 million in employee health and pension benefits, \$543 million in utilities, \$375 million in contracts, and \$187 million in other OTPS (for example, supplies, vehicles, equipment). A significant portion of our expenses are "uncontrollable,"

such as utilities and employee benefits, making cuts in federal appropriations particularly difficult to absorb.

As you know, the federal government has consistently underfunded traditional public housing. If we are eligible for \$100 per unit, we only receive \$93 per unit. Year after year, this amounts to \$1.4 billion in federal operating funding since 2001 that should have been spent improving the lives of NYCHA residents. On the other hand, the federal government has fully funded Section 8 and the subsidy to private landlords. As with prior years, we do not project deficits in the Section 8 program.

### **Progress of the Past Year**

The past year has been one of transformation at NYCHA. From improved responses to residents' needs to a ground-breaking agreement to provide staff coverage seven days a week, NYCHA embarked on several innovative ways to deliver repairs and services faster and make us a better landlord.

#### *Improving Operations*

NYCHA took an aggressive approach to tackling heat outages this season, by proactively monitoring heating infrastructure and quickly deploying staff to address interruptions. That included the establishment of a heating team dedicated to resolving service interruptions 24/7. During periods of anticipated extreme cold, NYCHA also increased its heating response teams, added more staff at the Customer Contact Center, and activated a "Situation Room" to coordinate the response to interruptions and mobilization of resources in real time. These efforts helped bring down the time it takes to resolve heat and hot water outages, from 29 hours on average last season to 10 hours this season.

Thanks to a historic agreement with our union partner, Teamsters Local 237, NYCHA is launching Alternative Work Schedule (AWS). For the first time in

about 50 years, we will have caretakers and their supervisors working at our developments from 6 a.m. to 7 p.m., seven days a week, through five staggered schedules. This is an important and fundamental change in the way we staff our developments, and it will have a significant positive impact on our delivery of services, allowing us to do everything from moving the garbage to the compactor efficiently, to cleaning elevator rails daily, to ensuring we are mopping common areas. AWS will launch in April at 13 consolidated developments, and we expect to roll it out to all our developments within the next year.

To bring repairs to residents faster, NYCHA is conducting Saturday work blitzes. Scheduling work on Saturday is particularly helpful for residents with a traditional work schedule who can't be home Monday through Friday. Since the program's launch in December 2018, NYCHA staff working on weekends have completed nearly 8,800 repairs at 57 developments. In addition, we opened the management offices to help residents complete more than 1,800 annual recertifications on the weekend.

In concert with the Saturday work blitzes, the "NYCHA Cares" initiative is bringing down the backlog of skilled trades repairs. NYCHA skilled trades workers – including plumbers, electricians, plasterers, carpenters, and painters – have closed more than 21,000 skilled trades work orders at nine developments across the five boroughs.

With an integrated pest management approach, NYCHA is investing in reducing the rat population by concreting dirt basements, installing door sweeps, installing new compactors and bulk crushers, and hiring 20 new exterminators and an expert in pest control. At 57 developments, DOHMH inspections have seen a 35 percent decline in rat burrows.

NYCHA recently reported to the Southern District of New York that as of March 2, NYCHA had corrected presumed lead paint failures in 2,144 apartments with a child under 6 and attempted to remediate 343 apartments. We continue to work

with our tenants to gain access and make the corrections. But NYCHA is going beyond what any other public housing authority or private landlord is required to do – we are testing over 135,000 apartments built before 1978 for lead-based paint and developing plans not just to stabilize the paint but to abate it.

Earlier this year, NYCHA announced the expansion of “Mold Busters” to combat mold at developments citywide, building upon a pilot program initiated in 2017. Mold Busters involves an updated mold inspection protocol; a new and comprehensive standard remediation procedure; new hands-on training for staff, including on the root causes of mold; and new tools for staff to effectively and efficiently identify and remediate mold. The program requires staff to document the response to mold work orders, promoting accountability. It incorporates a faster timeline for repairs and remediation, as well as follow-up inspections after work is completed to ensure there has been no recurrence. We are also partnering with other City agencies and health partners to educate residents on how to identify and report mold conditions and help us prevent mold from recurring. As of March 15, more than 1,000 staff have been trained on the new tools and procedures, and we expect all 2,700 applicable staff will be trained by the end of 2019.

### *Putting NYCHA’s Capital Dollars to Work for Residents*

Our capital budget includes four sources: federal funding from HUD, federal FEMA funding, City funding, and State funding. In recent years, HUD has provided NYCHA with about \$300 million annually in federal capital funds; in 2018, that increased to \$528 million. In the 2019 federal budget adopted after the shutdown, we believe NYCHA will be awarded \$533 million in capital funds – which has not yet been confirmed. In our 2019 budget, we allocated this money for building envelopes, building systems – including heating plant and elevator replacements – and interior renovations.

While the federal capital funding we receive is far from enough to meet our buildings' vast capital needs – and has declined by a cumulative \$1.3 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. Over the next several years, we're going to replace 314 boilers and 390 elevators. NYCHA's goal is to obligate 90 percent of its capital funds within 16 to 18 months. This is ahead of HUD's 24-month obligation deadline. In 2018, NYCHA obligated the prior year's construction funding in 15 months. We expended our last four federal capital grants within an average of 29 months, 19 months ahead of HUD's 48-month expenditure deadline.

By the end of 2018, we awarded \$2.4 billion in Sandy recovery projects, two-thirds of our FEMA funding, and have completed \$1.3 billion of work, providing residents with new roofs, electrical systems, and boilers; backup power; and flood protection – hiring about 400 NYCHA residents in the process. In 2019, over \$880 million is scheduled to be spent.

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: \$6.5 billion, including \$1.3 billion to fix nearly 1,000 roofs and \$200 million to replace boilers and upgrade heating systems. Two weeks ago, we announced the selection of seven contractors to begin construction on nine boiler plants serving 24,000 residents. We replaced the roofs at 86 buildings, and have expedited the schedule to reduce the overall timeframe for roof replacements by six years.

I'd like to acknowledge the partnership of Assembly Member Steven Cymbrowitz and State Senator Brian Kavanagh in helping to bring attention to the significant needs of this organization. Their leadership is paving the way for a renewed commitment from the State government. This year, both the Assembly and the Senate proposed significant capital resources to address the needs of NYCHA

residents. We are hopeful that the funding passes in the final budget. This is in addition to the \$450 million we are working with the State to release for additional heating plants and elevators.

## **NYCHA 2.0**

Considering the general decline in federal capital dollars, NYCHA must pursue innovative ways to fund the building and apartment upgrades that residents deserve. Launched in late 2018, NYCHA 2.0 is the Authority's comprehensive strategic roadmap; it is a comprehensive, 10-year plan to address \$24 billion in vital repairs that our buildings desperately need. NYCHA 2.0 will deliver complete apartment renovations for 175,000 residents, fund essential capital repairs across the rest of NYCHA's portfolio, and launch aggressive new repair strategies to tackle lead paint, mold, heat, elevators, and pests.

Through NYCHA 2.0, we are expanding the Permanent Affordability Commitment Together (PACT) preservation initiative significantly, building on the success of our first Section 8 conversion under the Rental Assistance Demonstration (RAD) – 1,400 apartments at Ocean Bay-Bayside in the Rockaways in 2016 – followed by the conversion of another 2,500 apartments currently under construction in the Bronx in 2018. Another 5,600 apartments are in the process of being converted to Section 8 through PACT public-private partnerships. Over the next nine years, we will convert a total of 62,000 apartments – about 7,500 per year – bringing nearly \$13 billion in repairs for 140,000 residents.

By building new affordable and market-rate housing on underused land and transferring a portion of the Authority's unused air rights, NYCHA will generate another \$3 billion for major repairs at our developments. Additionally, NYCHA and the City remain committed to creating 10,000 new affordable homes, including for seniors, as part of the Housing New York 2.0 plan.

## **NYCHA's Agreement with the Federal Government**

The Agreement that NYCHA and the City signed with the federal government establishes a solid foundation for building upon our progress of the past year. Its action plans set objectives to significantly improve on the five high-priority areas I mentioned: lead paint, mold, heat, elevators, and pests. As we carry out the plans and steadily improve conditions, the Agreement provides an opportunity for NYCHA to work with a monitor appointed by the federal government – to make changes that will benefit our residents.

## **Conclusion**

With NYCHA 2.0 as our guide, we are transforming our organization and improving the quality of life for our residents. We look forward to collaborating with the monitor – as well as residents, the Council, and our other partners on the ground.

We're tackling health and safety issues and making improvements across the board. But we need financial support from every level of government. We must continue advocating for DC to step up and provide additional funding – and grant the regulatory relief that will enable us to work faster.

With a renewed focus on residents' needs, and how they will be addressed, we will overcome the challenges and make a real difference for NYCHA residents. Thank you for your support as we strive to better serve them each and every day. We are happy to answer any questions you may have.