

TESTIMONY FROM NYCHA'S EXECUTIVE VICE PRESIDENT FOR REAL ESTATE DEVELOPMENT
JONATHAN GOUVEIA
NYCHA DEVELOPMENT: NYCHA 2.0 AND PACT/RAD
COMMITTEE ON PUBLIC HOUSING
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REMOTE HEARING (VIRTUAL ROOM 2)

Chair Alicka Ampry-Samuel, members of the Committee on Public Housing, other distinguished members of the City Council, NYCHA residents, and members of the public: good afternoon. I am Jonathan Gouveia, NYCHA's Executive Vice President for Real Estate Development. I am pleased to be joined by Lisa Bova-Hiatt, Executive Vice President for Legal Affairs and General Counsel; Lakesha Miller, Executive Vice President for Leased Housing; Leroy Williams, Director for Community Development; and members of the Real Estate Development team: Simon Kawitzky, Vice President of Portfolio Planning; Marissa Schaffer, Vice President of Transactions; Lamar Fenton, Vice President of Asset Management; and Matthew Charney, Vice President of Design & Construction.

Thank you for this opportunity to discuss our efforts to stabilize a critical source of affordable housing in New York City; make investments that support resident health and prosperity; and engage more deeply with our communities in planning for the future.

Launch of NYCHA 2.0

It has been clear, for several years, that a new direction is needed for public housing in New York City. In an effort to begin comprehensive repairs and put our buildings on a more solid and secure footing, the NYCHA 2.0 program – a comprehensive strategy to rehabilitate and preserve over 62,000 apartments in our portfolio – was launched in late 2018. NYCHA 2.0 consists of three key tools: PACT to Preserve, Build to Preserve, and Transfer to Preserve. Since the launch, NYCHA has made significant progress in advancing the NYCHA 2.0 program. As I will describe in greater detail later in the testimony, we are bringing comprehensive repairs to several thousand apartments

across the city through the PACT program. We have also closed two Transfer to Preserve transactions and are working toward a Build to Preserve project in Manhattan.

Despite the progress made to date, we know some residents and elected officials have questions and concerns about our programs, specifically related to resident rights and protections and oversight of our PACT partners. Thus, in addition to updating you today on the progress of our repairs, we want to update you on the very concrete steps we are taking to better engage with residents, meaningfully incorporate resident input, maintain and strengthen resident rights, and provide strong oversight of our projects and our partners.

Program Management

The NYCHA 2.0 program is managed by NYCHA's Real Estate Department, supported by a number of other NYCHA departments, including Community Development, Law, and Leased Housing, which administers the HUD Section 8 subsidy. Since 2019, we have been building a team of real estate professionals, public housing experts, architects, planners, and urban designers to develop a fresh approach to our work. We now have four sections: Portfolio Planning, Design & Construction, Transactions, and Asset Management, each of which is led by the vice presidents on the panel today.

NYCHA is fully committed to:

- Preservation of NYCHA's deeply affordable housing stock;
- Protection of resident rights;
- Creation of complete and healthy communities;
- Oversight of our development partners;
- Continual improvement of our policies and procedures; and
- Customer service to our residents.

The design of our department and the concepts to which we are committed are the driving force behind the critical improvements that we have launched, which I am happy to share with you today.

Putting Residents First

We recognize that residents need to play a more significant and active role in our projects. It is our residents who are living with unacceptable conditions, in aging buildings with failing systems that have been neglected by a scarcity of federal funding. NYCHA's residents are the backbone of New York City – something that has become only more evident during the pandemic, as countless NYCHA residents have stepped up like so many other New Yorkers to keep this city running: as essential workers delivering essential services; as parents, grandparents, and caretakers attempting to do the impossible of home schooling and caring for children while working; and – most central to what we'll focus on today – as residents expecting safe, healthy, and livable homes and communities for their families.

The Real Estate Department's approach is centered on three key principles:

- **First**, improving residents' lives through comprehensive repairs, relevant social services, and the creation of complete communities;
- **Second**, maintaining and strengthening resident rights and protections, and meaningfully engaging communities in planning for the future of their homes; and
- **Third**, building partnerships and collaborative working relationships with residents, elected officials, housing rights advocates, non-profits, general contractors, developers, and property managers.

This approach will be brought forward and amplified in all of the work that NYCHA's Real Estate Department undertakes moving forward.

When NYCHA 2.0 was launched, three distinct tools were identified as part of the program: PACT to Preserve, Build to Preserve, and Transfer to Preserve. I will now provide an update on each of the programs.

PACT to Preserve

Through the Permanent Affordability Commitment Together (PACT) initiative, we will address nearly \$13 billion in desperately needed and long overdue repairs in 62,000 apartments – a third of our portfolio and home to about 140,000 New Yorkers – by the year 2028. PACT is New York City’s implementation of the federal Rental Assistance Demonstration (RAD) program.

To date, we have converted eight PACT projects totaling nearly \$1.8 billion in capital improvements – more than 9,500 apartments are in construction or rehabilitated. Another nearly 12,000 apartments are part of projects that are in the process of resident engagement or pre-development, and there are more to come.

NYCHA Ownership and Oversight

I’d like to emphasize the fact that this is not privatization and not a path toward it – NYCHA continues to own the land and buildings converted through PACT, and all apartments continue to be subsidized through HUD. Accordingly, NYCHA and HUD both have a regulatory and oversight role. For example, affordability is a requirement of the PACT program that runs with the land and cannot be undone without NYCHA and HUD approval.

I will go into a bit more detail on this point to explain how PACT developments remain under public control and oversight. NYCHA remains involved in the developments after PACT conversions through a few different and significant roles.

- First, as I mentioned earlier, NYCHA is the Section 8 administrator for the entirety of the PACT program. This means that NYCHA administers the Section 8 waitlist. Private developers cannot lease up a new apartment outside of the NYCHA-administered Section 8 waitlist. In this role, NYCHA also controls the release of the HUD Section 8 subsidy. This means that the PACT developers do not receive any rental subsidy from the government without NYCHA oversight

and without meeting federal standards in each apartment for which they seek subsidy.

- Second, NYCHA monitors conditions at the developments and ensures that developers adhere to their obligations to residents. The PACT projects are monitored through numerous reporting and tracking efforts, including:
 - Monitoring the construction scope and progress or repairs;
 - Creating new strategies to prevent displacement;
 - Monitoring on-going maintenance and repairs at the properties;
 - Job placement and training related to the Section 3 program;
 - M/WBE contracting; and
 - Monitoring the financial health and financial performance of each transaction.

Strengthening these efforts is an integral part of our Design & Construction and Asset Management strategies as we build out the teams, processes, and supporting technology to bolster these efforts.

- Finally, we are supported by the Asset Management infrastructure of our PACT financing partner, and sister agency, the New York City Housing Development Corporation (HDC).

Resident Rights

PACT preserves resident rights and protections, including the following:

- Rent remains capped at 30 percent of household income.
- Residents continue to have succession rights.
- Residents and tenant associations continue to have the right to organize and receive funding.

- Residents will not be re-screened before signing a new Section 8 lease – which means that so long as a household is in good standing, it can transition to Section 8 regardless of income or family composition.

These rights are codified in the HUD RAD program requirements and also through the PACT Section 8 lease, which has been strengthened based on feedback from resident leaders and housing advocates. NYCHA requires that PACT developers all use the same PACT Section 8 lease, and they do not have discretion to revise it without NYCHA's approval.

Scope of Rehabilitation

Importantly, it is a HUD requirement of the PACT program that the developments are fully and comprehensively renovated. We work closely with our development partners and residents to craft comprehensive rehabilitation plans to address:

- Building systems, such as elevators, boilers, roofs, windows, and facades;
- Grounds, including landscaping, lighting, security, and playgrounds and public spaces;
- Common areas, including lobbies, hallways, stairwells, and community spaces; and of course,
- Resident apartments, where kitchens, bathrooms, and flooring are all typically replaced, among other improvements.

We are also prioritizing project plans that foster sustainability and better connect our communities to their surrounding neighborhoods through good urban design.

We are committed to not only repairing these developments but improving them: improving the delivery of heat and hot water by repairing and replacing antiquated systems and distribution lines behind the walls, to reduce outages while simultaneously reducing our energy consumption and greenhouse gas emissions; by implementing security plans that provide new cameras, doors with remote access *that work*, intercom systems, better lighting, and other enhanced security measures; improving accessibility

and accommodations for our senior and aging residents; and critically, because PACT results in a comprehensive renovation, it is the primary tool that allows NYCHA to address the underlying causes of issues that have plagued NYCHA residents for decades – such as leaks, mold, lead, and pests – improving the health and safety of our residents.

Also, through PACT, there are additional resources brought into the community:

- NYCHA requires that PACT developers partner with community-based non-profits to deliver social services and community programming based on the needs of the specific community. Service providers are required to staff dedicated, on-site social workers.
- NYCHA is asking PACT partners to implement programs such as affordable broadband internet and credit-building initiatives.
- NYCHA also requires the PACT developer to create employment opportunities for NYCHA residents through the PACT construction scope and ongoing property management.

We are proud of the work we have been able to accomplish for residents, as shown here in the photos of some of the upgrades.

Engaging Residents and Improving the PACT Program

Residents must be meaningfully engaged in planning for the future of their homes and communities. To ensure our PACT investments achieve community goals and priorities, we have built a new team of planners to learn directly from residents about their lived experiences and conditions at their developments; educate them about the PACT program; and work directly with residents in shaping our final plans. I will summarize a number of important changes we are making to our engagement approach.

- First, we have created a new planning process that is transparent and starts much earlier than in the past. At the beginning of each process, we lay out the full project timeline and all of the key milestones. We want every meeting, workshop, and engagement activity to have a clear purpose and agenda. In this way, we are

striving to make the best use of the valuable, but limited, time that residents have to take out of their busy lives to engage with us.

- Second, we are making resources available to support residents during the planning stages. We recently announced the creation of an exciting new initiative, called the Resident Planning Fund, to provide residents with free technical assistance by trusted, third-party providers. As part of this new program, residents will be allocated a pool of funding that they can use at their discretion. For example, residents could hire a local community-based organization to serve as an independent advisor; a tenant advocate to mediate and resolve tenancy issues; a financial or legal consultant to vet NYCHA's plans; or an urban design consultant to help craft a community vision for public spaces – just to name a few ideas. We released an RFP in December to select a consultant team to help us build out and implement this new program and look forward to getting it up and running later this year.
- We are also now providing free legal services in connection with PACT lease signings so that residents can get independent, professional advice regarding their new PACT lease and ensure a seamless transition into the Section 8 program. Most recently, at the PACT Manhattan Bundle, the Legal Aid Society participated in information sessions and set up a free hotline that residents could call for assistance. We plan to continue making free legal services available at all PACT developments going forward.
- Third, we are giving residents a greater voice in the planning process. Going forward, we will be inviting resident leaders to participate in selecting the developers, general contractors, property managers, and social service providers who will be renovating and maintaining their development. Resident leaders will have the opportunity to review proposals, interview development teams, and provide feedback before final selections are made. This is a step we have never taken until now, and we are excited to bring residents closer into this critical element of the program.

- Lastly, we recognize that information sharing and clear communication are key factors to success. We have created new print materials, videos, and web resources to ensure that residents have the latest information about PACT and their development and that they understand their rights and protections, the rehabilitation process, and other program elements. We are now hosting monthly PACT information sessions so any resident or member of the community can learn more and get their questions answered at times that are convenient for them. Since mid-November, we have already hosted four PACT information sessions, with attendance ranging from approximately 80 to 420 participants.

Engagement During the Pandemic

Early last year, the COVID-19 pandemic effectively ended our ability to continue hosting in-person meetings, and forced us to rethink and expand upon the ways we connect with residents. Currently, all of our resident meetings are taking place over Zoom and phone conference. To address the digital divide, in advance of a resident meeting we mail hard copies of our presentation materials to every household in that development. We follow that up with pre-recorded and personal phone calls to every phone number we have on record. Staff running the phone lines make sure that residents have received the meeting information and answer any specific questions residents may have about the PACT program. During the Zoom meeting itself (which residents can also join as a phone conference), we run conference lines in multiple languages, and residents who write down their questions can have them answered immediately by a staff member monitoring the chat – instead of waiting for the live Q&A at the end of the presentation. Anyone who doesn't get their question answered can reach us via a dedicated email address or telephone hotline. Messages received are returned later that day. And recordings of the sessions are immediately posted online. I tell you all of this to say that while adapting to this new reality has not been easy, I believe that we are actually connecting with more people, and with greater efficiency and ease, than we ever have before.

Other Initiatives to Support PACT and NYCHA residents

There are two other “prongs” of NYCHA 2.0 which are also available to supplement the PACT program to bring capital to NYCHA developments. These are the Build to Preserve program and the Transfer to Preserve program.

Build to Preserve

With the Build to Preserve program, NYCHA can generate funding for NYCHA developments while creating housing and other neighborhood amenities where they are desperately needed. This is done by creating new buildings on underused land, with the proceeds going first toward repairs at the surrounding development. All new residential buildings will be subject to the City’s Mandatory Inclusionary Housing levels of affordability, contributing new and permanently affordable homes for New Yorkers.

NYCHA is exploring Build to Preserve at the developments in Manhattan’s Chelsea neighborhood with a working group of residents, elected officials, community representatives, and housing organizations. Except for a pause in the spring and summer of 2020 due to COVID-19, this working group has been meeting since the fall of 2019 to produce community-driven recommendations to address the future of Chelsea, Chelsea Addition, Elliot, and Fulton Houses. The working group aims to publish a list of recommendations soon, which would inform the RFP issued by NYCHA to select development partners. Build to Preserve at these developments will be combined with PACT to leverage each of these transactions to bring comprehensive repairs.

Transfer to Preserve

In 2020, NYCHA successfully completed our first two stand-alone transfers of excess development rights (a.k.a. “air rights”), one at Ingersoll Houses in Brooklyn and another at Hobbs Court in Manhattan, generating approximately \$27 million in proceeds for capital repairs at the neighboring NYCHA properties.

Early last year NYCHA also released a Request for Expression of Interest (RFEI) for further air rights transfers, with the hopes of generating additional revenue for capital repairs at the nearby NYCHA developments. The RFEI established criteria for how NYCHA will evaluate proposals in consultation with residents. While the amount of revenue each proposal generates is of significant importance, we also consider how the proposed development directly benefits NYCHA residents, the developer's experience completing similar developments, and how well the proposed development integrates into the surrounding neighborhood.

We are currently in the process of evaluating several air rights proposals and will be reaching out to the NYCHA resident leaders soon about these opportunities.

Partnering to Strengthen and Preserve NYCHA

With all of these initiatives – and the hard work applied toward them – we are transforming and preserving our buildings so that they can better serve residents today and for the generations to come. We are proud that our mission is fundamentally about improving residents' quality of life while protecting their rights.

But we will only succeed if we come together in service to our shared goal of strengthening NYCHA and ensuring that it remains a vital source of affordable housing for New Yorkers.

Thank you for your support. We are happy to answer any questions you may have.