

TESTIMONY FROM NYCHA CHAIR & CEO GREG RUSS
EXECUTIVE BUDGET HEARING – PUBLIC HOUSING
COMMITTEE ON PUBLIC HOUSING WITH THE COMMITTEE ON FINANCE
WEDNESDAY, MAY 19, 2021 – 2:00 PM
REMOTE HEARING (VIRTUAL ROOM 2)

Chairs Alicka Ampry-Samuel and Daniel Dromm, members of the Committees on Public Housing and Finance, other distinguished members of the City Council, NYCHA residents, and members of the public: good afternoon. I am Greg Russ, NYCHA's Chair and CEO. I am pleased to be joined by Chief Operating Officer Vito Mustaciuolo, Executive Vice President of Finance and Chief Financial Officer Annika Lescott, and other members of NYCHA's team. Thank you for this opportunity to present an update on the Authority's financial outlook as well as our work to transform this organization and improve our residents' quality of life. First, I'd like to acknowledge the efforts and dedication of our finance department, as NYCHA was recently recognized for excellence in financial reporting by the Government Finance Officers Association of the United States and Canada.

Fiscal Updates

During our preliminary budget testimony before the Council in March, we presented information about the financial impact of the COVID-19 pandemic, details on our adopted budget and the grim funding landscape, the status of our Transformation Plan, the progress we've made to deliver better services for residents through the HUD Agreement (as well as the costs of that work), and our efforts to comprehensively rehabilitate and upgrade residents' homes. Today, I'd like to provide you with some updates in these areas.

The Impact of COVID-19

To date, we have spent about \$121 million in response to the pandemic, on safety measures such as additional sanitation and personal protective equipment. As of the end of April, NYCHA has decreased rent for about 57,000 families in public housing and over 5,600 in Section 8 who have lost work or income – resulting in a \$70 million

reduction in rent collection. Together, this has amounted to an additional burden of \$192 million for the Authority.

Funding Updates

Based on preliminary information, we expect that we will receive more federal operating funding than initially anticipated. This will help close our \$25 million deficit for 2021 and address the continued losses in rent collection. We are grateful to our representatives in Washington, who are advocating to bring public housing the funding it desperately needs.

As part of the federal stimulus, we are receiving an additional \$81 million for about 5,700 Section 8 vouchers for homeless individuals (or those at risk of becoming homeless) and victims of domestic violence or human trafficking.

We are also incredibly grateful for the City's support. We expect to receive \$257 million in operating funds from the City this year, including \$7 million to hire 1,000 seasonal workers through Mayor de Blasio's City Cleanup Corps initiative.

The State has allocated \$200 million in funding for NYCHA this year; we will work with the State Legislature and the Governor's Office on a plan to use these funds to upgrade our properties.

Our outlook on expenses has not changed. We are hiring staff to meet budgeted staffing levels, and to help address the massive demands of our aging buildings.

Transforming NYCHA and Residents' Quality of Life

We continue to implement elements of our Transformation Plan, which envisions potential operational and organizational changes that will improve customer service and responsiveness to conditions at our developments, ensure that large projects are completed in a timely manner, and promote accountability through property

management performance metrics. The plan's initiatives will enable us to manage our properties better and use our limited funding more effectively, all while improving the quality of life for our residents.

Our Neighborhood Model, which creates smaller property management portfolios and brings more decision making and resources to developments, is a critical piece of these efforts. As part of our work to strengthen property-based budgeting, this month we are rolling out a new training for all property managers and some resident leaders on budget concepts and processes.

Last month, NYCHA's Board approved changes outlined in the Transformation Plan that strengthen the management of our organization by promoting a more effective and accountable leadership team. This involves the creation of new Board committees which empower Board Members to guide the development of policies and provide oversight in the areas of audit and finance; operating, compliance, and capital; resident and community affairs; and governance. The changes also establish the title of Chief Operating Officer, formerly known as the General Manager. As part of our work to streamline executive leadership, we are also creating the position of Chief Asset & Capital Management Officer, who will oversee the Real Estate and Capital Projects departments. This position is posted and we are actively recruiting.

We are also launching a streamlined annual review process for residents, as well as a pilot to improve the Alternative Work Schedule (AWS) program. And we recently established a Resident Roundtable to provide residents ongoing opportunities to give input on the Transformation Plan and its implementation. Our progress is driven, in part, by the 18 working groups we formed that focus on Transformation Plan topics – such as work order reform, AWS, closing work tickets, lease enforcement, property-based budgeting, procurement, and more. Residents participate on several of the groups, and they all include representatives from HUD, SDNY, and the Monitor's team.

We will continue to engage with our stakeholders and partners to incorporate feedback as we bring the Transformation Plan's strategies to life – the next steps are to develop

the first part of an Implementation Plan by September 2021 and the second part by June 2022.

These are major changes that will dramatically strengthen our organization; they build on some of the other advancements we've made to better serve our residents since my arrival at NYCHA in August 2019, such as:

- Making the Transformation Plan NYCHA's first-ever plan open for public comment and receiving concurrence on it from HUD and SDNY;
- Launching the innovative *Blueprint for Change* proposals to enable NYCHA to overcome its complex challenges and renovate every building in our portfolio;
- Expanding the efforts to upgrade our residents' homes through PACT; and
- Making progress in our critical and impactful work to achieve compliance with the HUD Agreement, bringing down the time it takes to resolve elevator and heat outages as well as the number of heat outages, installing thousands of roof fans at our developments to help combat mold, and completing over 90,000 XRF lead paint inspections at our apartments and establishing the TEMPO program to bring faster repairs and abatement to homes where children under 6 live or visit.

Improving and Preserving Our Properties

While we transform our organization, we also need to transform our buildings. Our aging buildings have over \$40 billion in major repair needs – and the needs grow at the rate of about a billion dollars a year. Unfortunately, it is impossible to keep up with the demands of our deteriorated properties through government funding alone. Addressing the issues driven by the condition of our buildings – leaks and mold and failing building systems – is costly, and we are already spending more than we receive for the basic operation and maintenance of our developments. Instead, we want to invest in our properties themselves – with a sustainable, realistic model that brings them the total renovations and upgrades they desperately need – instead of investing in stop-gap repair solutions.

With our PACT preservation initiative, we are bringing comprehensive repairs and upgrades to at least 62,000 apartments while safeguarding resident rights and protections. Over 9,500 apartments are currently in construction or have been renovated through PACT at 50 developments across the city – representing nearly \$1.8 billion in capital improvements such as brand-new kitchens and bathrooms, upgraded building systems (like elevators and boilers), and improved grounds and common areas (including playgrounds and security systems). Another nearly 6,500 apartments at 11 additional sites are slated to begin comprehensive repairs and upgrades by the end of the year. We are meeting with residents across an additional 38 sites to address \$2.1 billion in major repair needs.

Together with PACT, our *Blueprint for Change* Public Housing Preservation Trust proposal will ensure that all of our residents have the buildings and apartments they deserve, regardless of the level of funding from DC. These preservation initiatives will enable us to transform half-century-old buildings that have suffered from decades of disinvestment into beautiful, modern homes.

The Path to a Stronger Future

The need for a new direction is painfully clear. We owe it to our current residents, and to the future generations, to invest in our properties now, to the extent required.

The HUD Agreement and Transformation Plan are critical to the success of our organization and our residents' quality of life. However, they come with a price tag of billions of dollars – stretching our already limited financial resources – and they do not come with any additional or dedicated federal funding.

To address the more than \$40 billion of capital needs across our portfolio and deliver to residents the homes they deserve regardless of the vagaries of federal funding, we must continue pursuing innovative solutions like the *Blueprint*.

The *Blueprint* Trust, for instance, can access additional federal subsidy that we can't currently access, and through procurement enhancements it can deliver high-quality repairs and improvements faster. Even if NYCHA receives some or all of the capital funding we need from the Biden administration, NYCHA can use the Trust to more effectively deploy any additional funding we receive while accessing additional federal subsidy to fully rehabilitate every single one of our properties.

We cannot wait for a continually dire budget outlook to improve. With your support, we can take actions now that will enable the Authority to better serve residents today, and for the generations to come – that includes the creation of a Public Trust, as a partner with NYCHA to serve as an effective steward of our properties.

Thank you. We are happy to answer any questions you may have. And we look forward to keeping you updated on our work to create a stronger NYCHA for our residents.