

SPEECH FOR NYCHA CHAIRMAN JOHN B. RHEA
ASSOCIATION FOR A BETTER NEW YORK
MONDAY, SEPTEMBER 24, 2012

Good morning everyone. Thank you, Bill, for that warm introduction. I'd like to express my appreciation to you and the members of ABNY for inviting me to be here with you this morning. I want to thank the many members of the City Council, particularly Rosie Mendez, Chair of the Public Housing Committee, for being here this morning and for all of your support on so many initiatives we've pursued together on behalf of NYCHA residents in your districts. I'd like to acknowledge Reggie Bowman, Chair the Resident Associations' Citywide Council of Presidents – Reggie, thanks for the renewed partnership between NYCHA and its highly capable resident leaders. I must also thank Mayor Bloomberg for this Administration's invaluable support for NYCHA and the priorities I've laid out over the past 3 years – priorities that I've pursued in partnership with my fellow NYCHA Board Members – Vice-Chair Emily Youssouf and Commissioners Margarita Lopez and Victor Gonzalez – and with all the NYCHA staff members in attendance today, including our new General Manager, Cecil House.

The opportunity to address this group is an honor – and one that I don't take lightly, as ABNY has a well-earned reputation for taking on – and overcoming – our largest, most difficult challenges. It's with that great legacy in mind that I come to you today... and to discuss with you the considerable challenges we face at the New York City Housing Authority, many of which have received considerable attention in the press recently.

NYCHA's challenges are daunting – an aging infrastructure with a multi-billion dollar capital shortfall facing cut after cut from the federal government, a backlog of repairs for which some residents wait months or even years to be addressed. No one should underestimate the challenges of housing a population the size of Boston inside the City of New York -- a resident population with an average household income of \$24,000, where a third of all households are headed by senior citizens and where 115,000 children call home. For these 178,000 families, there are not a lot of options other than NYCHA for safe, reliable housing.

Some have called on the City to give up on public housing and tear down buildings like other large cities have done. They would write off NYCHA and one of twelve New Yorkers along with it.

Others say do nothing – and wait for money to materialize out of thin air to save NYCHA.

Neither path is practical – we have to find an innovative third way that rebuilds and restores NYCHA.

And so this morning I want to tell you how we plan to address NYCHA’s challenges. And address them we must – make no mistake, public housing is absolutely integral to New York’s future.

To understand why, it helps to know a little of the history.

NYCHA got started on a cold morning in 1935, in the throes of the great Depression, based on a simple idea: that every person in this City should have a safe, decent home, and as Fiorello LaGuardia said, “a window in every room.” Mayor LaGuardia was there at the dedication of First Houses on the Lower East Side; so were Governor Herbert Lehman and First Lady Eleanor Roosevelt. They were joined in spirit by an earlier generation of patriots like Henry Phipps, who founded Phipps Houses, which continues to

this day to build affordable housing, and Jacob Riis, who through the power of the lens and the pen exposed the terrible conditions of the Lower East Side's tenements. These New Yorkers never forgot that this great city of ours owed something very basic to all of its residents: a decent, clean, and healthy place to live.

Over the past 77 years, public housing has provided pathways to betterment for so many dreamers in our great City.

A little boy named Joel Klein grows up in Woodside Houses in Queens, attends public schools, and goes on to lead New York City's Department of Education.

A little girl named Sonia Sotomayor grows up in Bronxdale Houses, only to return as a Supreme Court Justice and see the development renamed in her honor.

A kid named Howard Shultz grows up in Bayview Houses in Brooklyn, and goes on to become one of our nation's greatest entrepreneurs and the CEO of Starbucks.

And of course – as we witness the exciting opening of the new Barclay’s Center – there’s Jay-Z – Brooklyn’s Finest.

Making sure that those kinds of success stories continue to come to life for this generation of NYCHA dreamers is what attracted me to this role in public service. I’m a kid who grew up in Detroit, went to public school, and later got the chance to get an MBA from Harvard and build a career in finance. Serving as Chairman of NYCHA is an opportunity to give back to a city that has been so good to me and my family.

It certainly hasn’t been easy – but no important job ever is.

Today, NYCHA serves over 600,000 New Yorkers through public housing and Section 8 Programs. We’re the biggest public housing authority in the nation and biggest residential landlord in the City. We manage 2,600 apartment buildings in 334 developments across the five boroughs. If you added up the next [ten] largest housing authorities in the nation, it still wouldn’t be as large as NYCHA.

More importantly, the people behind those incredible numbers are part of the backbone of this City. They are us – they're our teachers and retirees, our veterans and immigrants. They're the entrepreneurs who make our streets and boardrooms hum and tick. They're young achievers like 25 year-old Rakim Brooks from Wagner Houses, who went to Brown, then to Oxford on a Rhodes scholarship, and now brings those experiences back home to benefit the East Harlem community.

And when such a large and vibrant part of our City reaches a crossroads, we all do.

While the mayor appoints a board to manage NYCHA, we are principally funded by the federal government. And for the past decade, government has disinvested in public housing – the federal government effectively incentivizes the demolition of public housing without funding adequate replacements.

Since 2002, NYCHA's annual capital subsidies have been cut in half in real terms – even though three quarters of our buildings are over 30 years old.

It's simple: if you don't provide funds to repair aging buildings, they fall apart. And that's what's happening.

Over the past decade, NYCHA has also received \$1.4 billion less in operating subsidies than is required by federal formula – a formula, by the way, that fails to recognize the local market's economic realities. Adding insult to injury, Washington sends more rental subsidy per-unit via the Section 8 program to a private landlord in New York City than it does to NYCHA – and, as a result, we're suffering the consequences.

Compared to 7 years ago, the NYCHA workforce has shrunk from 15,000 to less than 12,000 today. We're effectively trying to deliver the same level and quality of service to 179,000 apartments with 3,000 fewer employees.

We've also suffered the loss of hundreds of millions of dollars in federal grants that once funded safety and security measures, as well as social services that help families and communities thrive.

It is clear that we will have to solve our financial challenges, which drive down resident quality of life, ourselves; the federal cavalry just isn't coming.

In a city where affordable housing remains too scarce – despite the fact that Mayor Bloomberg is funding the largest affordable housing program any city has ever undertaken – public housing remains a vitally important resource.

The question we face now is how to renew and revitalize public housing, how to benefit from New York City's growing attractiveness and the market forces that are driving up land values, and how to share that success with public housing residents. Because the simple fact is: the quality of life for some of our residents is unacceptable, and beneath our own standards.

We can't tolerate that – and we won't. We refuse to accept the idea that the problem is too big to fix.

Ask Ray Kelly: that's what many people used to say about crime in our city.

That's what they said about our public parks.

That's what they said about education – both our public schools and our public colleges.

Remember: twenty years ago, CUNY was on the ropes.

But thanks to courageous actions, strong leadership, and tough choices, it has been renewed and revitalized.

We can do the same with NYCHA – and we have a plan to do it.

Earlier this year, after an extended outreach campaign to residents, we launched *Plan NYCHA: A Roadmap for Preservation*. *Plan NYCHA* spells out very clearly what we need to do to renew and revitalize public housing. And, of course, it involves some very difficult decisions, decisions that we are meeting head on.

We're ending artificially capped rents, so that NYCHA residents who make higher incomes can begin to pay their fair share by paying 30% of their incomes toward rent, just like the majority of residents.

We're right-sizing our 45,000 under-occupied apartments, so that those who came to NYCHA with large, young families which have since moved on can move to more appropriate-sized apartments and make room for new families.

We're reducing NYCHA's back-office and headquarters staff in order to push more of our precious resources to the property level where they're most needed.

We also brought in the Boston Consulting Group to cast a critical eye on how we do business – the findings were sobering. There's an opportunity to drive \$70 million in potential annual savings by implementing smart, long-overdue changes.

In addition, through a creative partnership with the private sector and our sister agencies, HPD and HDC, led by my partners Mat Wambua and Marc Jahr, we were able to tap into an additional \$65 million in annual operating subsidies to secure 20,000 at-risk apartments whose funding stream had been eliminated years ago. This was an unprecedented achievement – the very

first time tax credit equity has been used to fund public housing in New York City. We worked with an unbelievably complex network of partners inside and outside government to get this done. And the pay-off for navigating the process will amount to over \$2 billion over the long run for our residents.

We're also undertaking operational reforms that have allowed us to attack our maintenance and repair backlog – thanks to City Council funding we've already hired hundreds of residents to perform this critical work. And we're in the midst of implementing a comprehensive plan to improve security, in part by expanding camera coverage, and in part by modernizing intercoms and replacing front door keys with electronic cards that cannot be duplicated. This new model will be more efficient and cost-effective, but make no mistake: enhancing safety is an expensive proposition – it'll take \$500 million to fully implement our plans.

So despite all this work, we know that there are still many miles to go. And there is still far too little money to go around.

That's why today I'm announcing three major new initiatives that will allow us to generate substantial revenue... all of which can be plowed back into our buildings to improve our residents' quality of life.

First, we are going to leverage one of our most valuable assets: our land.

Many NYCHA properties are under-built. We have room to grow. And as we all know, demand for housing in this city could not be stronger.

So we undertook a comprehensive review of NYCHA's real estate footprint, with a goal of offering NYCHA-owned sites for the development of market rate and affordable housing and, in some cases, commercial, retail, and community facilities.

And I want to especially thank two people for their expertise and support in making this initiative possible: NYCHA's Vice-Chair, Emily Youssouf, and our Executive Vice-President for Development, Fred Harris, who spent 25 years in the private sector, and who also led the MTA's real estate strategy in the late 80's.

This is a landmark in the evolution of NYCHA – and a decade ago, it wouldn't have been possible, because developers would have considered our sites off-limits. But thanks to Mayor Bloomberg's leadership, and the improvements that have been made citywide in terms of safety and quality of life, we have an opportunity to integrate private and public housing in a way that will benefit residents of both communities.

In too many places, people have thought of public housing as separate. But that's not how we live in New York. Mayor Bloomberg often talks about how New York City isn't a mosaic, it's a mixture -- we live together.

NYCHA residents can benefit from more of this kind of community integration. Nowhere is that truer than in communities like Chelsea, where both the residents of Chelsea-Elliot Houses and their neighbors in newly-built market-rate housing can enjoy a walk to the hottest new park in the world, the Highline, or Downtown Brooklyn, where the residents of Farragut, Whitman, and Ingersoll Houses live in the fastest-growing zip codes in the country.

And we have an opportunity to integrate NYCHA communities further into the fabric of their surrounding neighborhoods by forming partnerships with

real estate developers to create a mix of affordable and market rate housing on under-used NYCHA sites.

Doing that can generate hundreds of millions of dollars – every penny of which will be re-invested in NYCHA and used to fix roofs, elevators, and building facades.

And it will create thousands of units of new housing, of which a substantial portion will be affordable. Let me repeat that: it will create thousands of new market-rate and affordable homes in a city where affordability remains a difficult challenge.

So if you believe we should do more to give existing NYCHA residents better homes – and if you believe we should do more to create affordable housing – this is a true win-win.

Now, let me clearly articulate a few important principles which will drive the first collection of sites for this program.

We are principally focused on sites that have substantial “as-of-right” commercial value and have the ability to generate revenue for NYCHA. The primary beneficiaries of this increased revenue will be NYCHA communities where new development happens. But not all of the benefits will be local – this program will be designed to benefit all of NYCHA’s residents as well.

We don’t need to demolish a single residential building to make this plan happen. We’re talking about development on land where there is no current housing. Period. We will not displace a single family.

We are not talking about selling NYCHA land – and this is not a plan to privatize public housing. We’re talking about long-term leases on currently vacant land that will provide stable, predictable cash flow to NYCHA to rehabilitate our existing buildings.

As I emphasized earlier, we are committed to including an affordable housing component into this development. We believe that this program could produce at least 1,000 permanently affordable apartments – and, importantly, it won’t require a single penny of housing subsidy. Nada.

Finally, this program will also create thousands of construction and permanent jobs – jobs which NYCHA residents will be well-positioned to get.

We've done a significant amount of work to develop this program, but we're still in the planning process. After we've engaged our residents, elected officials, and other community leaders, we will finalize a list of sites and, early in the New Year, release a Request for Proposals seeking development at these locations.

Our goal is to see construction begin in early 2014, after designating developers in the middle of 2013. Money could begin flowing into NYCHA as early as the end of next year.

The **second** major initiative we're launching to generate resources for NYCHA is one of the most ambitious energy conservation efforts in history. We're happy it will improve the environment; AND we're equally happy it will improve our bottom line and the quality of life for residents.

Through pilots like our use of stimulus funds to install NYCHA's first geothermal heating system, or our pioneering experiments with energy performance contracts, and other initiatives headed by Commissioner Margarita Lopez, we've already proven our ability to be creative and responsible in this arena.

Now, using Local Law 87 as a framework, NYCHA will perform energy audits on a large portion of our portfolio beginning in the next 18 months, arguably the most ambitious effort of this kind ever undertaken by a single landlord.

Even a 10% reduction in the half billion dollars a year NYCHA spends on energy would support \$50 million in annual debt service – and we plan to be more ambitious than that. If we do it right, we could finance \$2 billion in upgrades for boilers, roofs and windows, and other efficiency-enhancing investments.

Third, and finally, we'll tap into HUD's Capital Fund Financing Program to pay for desperately needed, comprehensively executed roof and brickwork repairs over the next 12 to 36 months.

By doing this, we'll be able to secure \$500 million in additional capital that will allow us to conduct major rehabilitation work at 350 buildings in over 40 developments in all five boroughs. Working with HDC and the private sector, we hope to have the funds by the first quarter of next year.

All told, these three initiatives could satisfy as much as half of our \$6 billion of unfunded improvements. That's a lot of new elevators, roofs, boilers, and windows. It's also a substantial improvement in the quality of life for so many NYCHA families.

Make no mistake: together, these innovations amount to substantial improvements at NYCHA. But they only take us part of the way toward reaching our goals, and we know that we can't get to the finish line without input and support from people like the ones I see assembled here today. At a moment of great challenge like this one, we need leaders from all over the city's civic landscape to stand up and advocate for the preservation of public housing. Additionally, we're preparing ourselves to receive the kind of expertise and support I know you can offer.

You might have read or heard that Mayor Bloomberg recently presented a proposal to reform NYCHA's Board structure, opening our Board to more New Yorkers, including building on the incredible work of NYCHA's first resident Board Member, Victor Gonzalez, by adding another resident to the Board. But a Board can and should only do so much, so we're also creating a new committee, called "New Yorkers for NYCHA," which builds on Mayor Bloomberg's public/private partnership model, best exemplified by the Mayor's Fund to Advance New York City. Like the Central Park Conservancy or ACS's New Yorkers for Children, this will be an ideal forum to solicit ideas from concerned New Yorkers like you and find funding to make those ideas a reality. It's a way for us to embed within NYCHA's culture an institutionalized method for encouraging the kind of civic engagement I spoke about earlier, the kind that is such a great part of our history, and ensure a broad coalition of leadership, vested in NYCHA's health and continued existence.

I'm up for the challenge – I hope you'll join me.

I'd like to close with the words of Joel Klein, who asked this: "What are you going to do to make sure that a kid, regardless of where she grows up, gets

an equal shot at the American dream?” Answering this question, one that animates so much of what is great about our nation, is what drives the hard work that we do at NYCHA every day. We have a responsibility, YES, but also an amazing opportunity to invest once again in the promise of our great City and write the next great turnaround story, one that will be told for generations to come. Thank you.