

**TESTIMONY FROM NYCHA INTERIM CHAIR AND CEO
STANLEY BREZENOFF
NYCHA DEVELOPMENT AND PRIVATIZATION
COMMITTEE ON PUBLIC HOUSING
TUESDAY, OCTOBER 30, 2018 – 10:00 AM
COUNCIL CHAMBERS, CITY HALL, NEW YORK, NY**

Chair Alicka Ampry-Samuel, members of the Committee on Public Housing, and other members of the City Council: good morning. I am Stanley Brezenoff, NYCHA's Interim Chair and CEO. I am pleased to be joined by Sideya Sherman, Executive Vice President for Community Engagement and Partnerships, and members of NYCHA's Real Estate Development Department.

Thank you for this opportunity to continue the dialogue on our development and preservation work. I'd also like to thank the NYCHA residents who are here to talk about the improvements that we're bringing to their homes. The Council last held a hearing on our development work in January 2016, and today we'd like to bring you up-to-date on our progress since then. For instance, we:

- Closed on our first-ever Rental Assistance Demonstration (RAD) deal – at Ocean Bay (Bayside), home to nearly 4,000 New Yorkers;
- Are close to finalizing additional RAD deals that will bring substantial improvements to approximately 3,100 apartments;
- Began construction on five 100 percent affordable housing buildings, and another 17 affordable projects are in the planning and predevelopment stages, representing over 3,000 new affordable units, including more than 1,000 units for seniors; and
- We announced four sites where we will create a mix of affordable and market-rate housing as part of our NextGen Neighborhoods program.

I will discuss these initiatives in more detail in my testimony today.

Three years ago, we released NextGeneration NYCHA, our long-term strategic plan to stabilize the Authority's finances, become a better landlord for residents, and ensure that public housing remains a vital resource in our city. Despite the

challenges, we're making progress in changing the way we do business and delivering for residents. As part of our NextGeneration NYCHA vision, we are creating desperately needed affordable housing for our city, raising vital revenue for the Authority, and preserving buildings with massive capital needs for the generations to come. As the Interim Chair, my goal is to secure every possible dollar that I can for repairs at NYCHA developments and for our residents.

The Need for New and Innovative Approaches

Decades of disinvestment from public housing has left NYCHA confronting nearly \$32 billion in major repair needs across our portfolio. Since 2001, NYCHA has been shortchanged \$3 billion in federal operating and capital funding, compounding the challenges of maintaining and repairing aging buildings – the majority of which are more than a half century old. And when we combine the federal operating dollars we receive with the rent we collect, there's still an operating deficit in the tens of millions of dollars every year.

It is clear that public housing authorities must change the way we do business in order to survive and thrive. We developed NextGeneration NYCHA, our long-term strategic plan, to overcome these challenges, shore up the Authority's finances, and improve residents' quality of life.

We appreciate the unprecedented support – in the billions – committed by Mayor de Blasio for New York City's public housing, as well as the Council's support. However, we must be realistic and assume that the decades-long trend of federal disinvestment will continue – and do the work that must be done to ensure NYCHA's survival, and improve the quality of life of our residents.

Re(building) Public Housing and Expanding Affordable Housing

Our work to upgrade our buildings and create more affordable housing for our city spans several programs: RAD, Section 8 conversion, FHA small homes, 100 percent affordable, and NextGen Neighborhoods.

Rental Assistance Demonstration (RAD)

RAD is a groundbreaking HUD program that is enabling public housing authorities across the country to bring major renovations and improvements to their buildings. That is done by creating public-private partnerships which can access additional funding for repairs by leveraging the Section 8 program. As an affirmation of our promise to residents, NYCHA's implementation of RAD is part of our Permanent Affordability Commitment Together, or PACT, program. PACT is a set of NYCHA initiatives to identify resources for preserving our buildings while maintaining affordability and strong rights for residents. With the federal government's decades-long and continuing retreat from public housing, we want to bring RAD to as many developments as we can to address the massive capital needs of deteriorating buildings across our portfolio.

We closed on the largest single-site RAD transaction in the nation, raising \$325 million to repair and modernize 1,400 apartments at Ocean Bay (Bayside) in the Rockaways, where residents have received new kitchens and bathrooms, roofs, and state-of-the-art security and heating systems. One of RAD's most notable benefits is that it enables us to address all of a development's major repair needs without spending any of our capital funding. RAD partnerships also deliver valuable social services from nonprofit partners to residents. At Bayside, this additional attention from our partners has resulted in far-reaching quality-of-life improvements. For example, there have been no crimes committed at Bayside since the beginning of the year.

Through RAD, we are bringing over \$400 million in major upgrades – from new kitchens and bathrooms to new facades, elevators, lobbies, and landscaping – to 3,100 apartments in the Bronx and Brooklyn. These units are home to more than

7,200 residents. Today we are closing on just over 300 units, and by the end of the year we expect to close on another 1,400 units. Construction is expected to begin by the end of this year at the Bronx developments and next spring at over 1,300 units in Brooklyn. We anticipate addressing an additional \$400 million in renovations across nearly 2,400 apartments in Brooklyn and Manhattan, home to 5,300 residents. Developer teams will be selected this winter, with renovations beginning at the first buildings next year.

This summer, more than 100 Betances Houses residents of the Bronx toured Bayside to see firsthand the improvements that will be coming to their development thanks to RAD. Thank you to all of the elected officials and their staff for joining us on one of our tours of Bayside or participating in the several workshops and webinars we hosted to show the good work being done at Bayside.

Unfunded Units

Through our PACT program, we are also converting eight developments that do not receive direct public housing funding to a Section 8 funding stream. These developments were originally built and funded by City and State subsidies but were never funded directly by HUD. They currently “share” in the federal funds provided for NYCHA’s public housing. This costs NYCHA more than \$23 million a year. Shifting the units to the Section 8 program will bring new, stable revenue to the developments and allow for substantial improvements to apartments, buildings, and grounds – similar to RAD. The funding that was previously diverted to these developments from the rest of NYCHA’s portfolio will go toward improving the operation and maintenance of our traditional public housing developments.

Conversion to Section 8 is almost complete at Baychester and Murphy Houses in the Bronx, developments that will receive approximately \$80 million in renovations. Construction is expected to begin in early 2019. Resident engagement has begun at two additional unfunded sites: Independence Towers

and Williams Plaza in Brooklyn. Developer teams will be selected this winter, with renovations beginning next year. The other four unfunded developments that will be converted to Section 8 are 344 East 28th Street, Boulevard Houses, Linden Houses, and Wise Towers.

FHA (Federal Housing Administration) Houses

In the late 1970s and early 1980s, HUD transferred hundreds of foreclosed single-family homes to NYCHA, which the Authority has used as public housing. However, these buildings receive no dedicated federal funding and are expensive to maintain due to their unusual configuration. In partnership with nonprofits like Habitat for Humanity and Restored Homes, NYCHA is rehabilitating these homes and helping low-income New Yorkers become first-time homeowners. Since 2012, 75 vacant homes have been sold, and 29 additional vacant homes are in the process of being transferred to nonprofits for rehabilitation and affordable resale. There are 133 occupied FHA single-family homes remaining in the portfolio.

100% Affordable Housing/Seniors First

Our city is confronting an affordable housing crisis, and New Yorkers have called for more affordable housing. In support of Mayor de Blasio's plan to build and preserve 300,000 affordable apartments by 2026, NYCHA has pledged to provide underused land (such as parking lots and storage spaces) for the creation of 10,000 new, affordable apartments for both families and seniors – more than 3,000 of which are already in the pipeline.

Since the release of NextGeneration NYCHA, we have begun construction on six 100 percent affordable housing buildings. The first project – a 101-unit building developed by the not-for-profit CAMBA at Van Dyke Houses – was completed this spring and is now home to hundreds of low-income residents, including many who were formerly homeless. Additionally, we have another 17 affordable

housing projects in the predevelopment and planning stages, totaling over 3,000 units of new affordable housing. In recognition of the city's growing senior population, more than 1,000 of these units are planned for senior housing.

Many of these buildings will include community facilities and neighborhood retail that will serve new and current residents. For instance, the new affordable housing at Ingersoll Houses will feature a new ground-floor senior center operated by Services and Advocacy for GLBT Elders (SAGE) that will provide supportive services for seniors. The development at Mill Brook Houses will bring a new senior center that includes a commercial kitchen, large dining room, community space, and activity rooms for programming for seniors. Other planned features include green roofs, upgraded basketball courts, and new community gardens and seating areas.

NextGen Neighborhoods

Our NextGen Neighborhoods program will generate funding for NYCHA developments and produce affordable housing where it's drastically needed. Over 10 years, this program is expected to generate hundreds of millions of dollars in revenue for the Authority. This will help address the major repair needs of the developments at the site and support developments across the Authority – while also creating new affordable homes for New Yorkers.

We selected developers for two NextGen Neighborhoods sites at Holmes Towers and Wyckoff Gardens, expected to raise approximately \$62 million in total. In response to feedback from residents, the proposed development at Holmes will include new playgrounds, open space, and a new recreational and community center operated by Asphalt Green. The proposed development at Wyckoff will provide retail space, including a restaurant and training facility, and space for social services. A Request for Proposals has been released for the site at La Guardia Houses, and resident engagement has begun for the site at Cooper Park Houses.

Benefits Realized Across the Portfolio

Whether its new construction or RAD/PACT, this is all a preservation strategy. Our NextGen Neighborhoods and PACT programs will reduce the participating buildings' capital needs significantly, freeing up resources and capital funding for badly needed major repairs and upgrades at other developments.

Conclusion

Through NextGeneration NYCHA, we are creating safe, clean, and connected communities. Our preservation and development work is a crucial way we accomplish this goal. We ask for your partnership and support on our development programs as we work to sustain our precious resource of affordable housing and improve the quality of life for this and the next generation of New Yorkers. Hundreds of thousands of families depend on us.

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