NYCHA 2.0

PART 1: INVEST TO PRESERVE
ASSURING QUALITY AFFORDABLE HOUSING
FOR ALL NYCHA RESIDENTS

The City of New York
Mayor Bill de Blasio

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New York City Housing Authority
Overview

Background

NYCHA 2.0: Part 1 – Invest to Preserve

I. PACT to Preserve – Section 8 Conversions
II. Build to Preserve – New Construction Expansion
III. Transfer to Preserve – Unused Development Rights

Implementation

What this Means for NYCHA Residents
Background
NYCHA: HOUSING NEW YORKERS ACROSS THE FIVE BOROUGHS

THE NEW YORK CITY HOUSING AUTHORITY (NYCHA) IS THE LARGEST PUBLIC HOUSING AUTHORITY IN THE UNITED STATES AND THE LARGEST LANDLORD IN NEW YORK CITY

NYCHA SUPPLIES 8% OF NEW YORK CITY’S RENTAL HOUSING STOCK¹
- The Authority’s portfolio contains 175,000+ public housing units across 325 developments
- If NYCHA were its own city, it would rank 50th in the US in overall population
- NYCHA houses more residents than cities such as Cleveland, Tampa, and Pittsburgh

NYCHA PROVIDES A VITAL SOURCE OF LOW-RENT HOUSING
- The average monthly rent of a NYCHA apartment is $522
- NYCHA comprises 83% of the apartments in NYC with rents less than $500/month

NYCHA SERVES A DIVERSE ARRAY OF NEW YORKERS
- NYCHA’s public housing provides housing for 1 in 22 New Yorkers
- The median income of NYCHA households is $17,088
- Nearly 39% of NYCHA households are headed by persons age 62 and older

¹ Figures include developments that were converted to Section 8 in 2018. All figures referenced are accurate as of January 2018.
AGING NYCHA HOUSING STOCK

AS NYCHA PASSES ITS 80TH ANNIVERSARY, MANY OF ITS BUILDINGS ARE RAPIDLY DETERIORATING

- The majority of NYCHA apartments were built between 1945 and 1970—more than 50 years ago

NYCHA APARTMENTS BY CONSTRUCTION DATE
Evolving Federal Housing Policy

There has been a paradigm shift in Federal Housing Policy since the 1970s

- Shifting away from a *traditional public housing* model where the federal government builds and operates housing for working and low-income families
- Moving towards a *voucher-based, privately-operated model* where the federal government provides subsidies to developers to build housing and offers vouchers for low-income families

**Timeline of Federal Housing Policy**

- **1973** The Nixon administration halts almost all new subsidized housing construction
- **1974** The Housing and Community Development Act of 1974 creates the Section 8 housing program
- **1976** The Reagan Administration develops the low-income housing tax credit (LIHTC)
- **1982** The Reagan Administration cuts HUD’s budget by more than 50%
- **1986** Congress establishes the HOPE VI program to demolish severely distressed public housing and build mixed-income developments
- **1992** The Faircloth Amendment caps the number of new public housing units that can be built by local public housing authorities (PHAs)
- **1999** The Obama administration establishes the Rental Assistance Demonstration (RAD) program to convert public housing units from Section 9 to Section 8
FEDERAL DISINVESTMENT

CAPITAL FUNDING HAS NOT KEPT PACE WITH CAPITAL NEEDS

- Federal capital funding has met a fraction of capital needs since 2006
- Federal funding has increased in recent years, but a substantial gap remains
SINCE 2014, THE CITY HAS MADE UNPRECEDENTED INVESTMENTS IN NYCHA

CITY CAPITAL FUNDING
- $1.6 billion in capital funding since 2014
- Including funding for roofs, façades, security enhancements, and heating systems upgrades

CITY EXPENSE FUNDING
- Over $500 million in expense funding since 2014
- Ended PILOT payments and NYPD fees
NYCHA CONDUCTS A PHYSICAL NEEDS ASSESSMENT (PNA) EVERY 5-6 YEARS

- The PNA identifies the capital expenditure required to bring NYCHA campuses to a state of good repair
- The most recent estimate—the 2017 PNA—identified 5-year needs of $31.8B or $180,000/unit
CAPITAL REPAIR NEEDS: CATEGORY BREAKDOWN

**CATEGORY 1**
- **STRUCTURE/ARCHITECTURAL**
  - Includes roofs, façades
  - $10.69B (33% of total)

**CATEGORY 2**
- **SYSTEMS**
  - Includes boilers, elevators
  - $5.94B (19%)

**CATEGORY 3**
- **APARTMENTS**
  - Includes kitchens, bathrooms
  - $12.58B (40%)

**CATEGORY 4**
- **SITE/GROUNDS**
  - Includes playgrounds, sidewalks
  - $2.58B (8%)

TOTAL: $31.8B (2017 PNA)
NYCHA 2.0
Part 1: Invest to Preserve
NYCHA 2.0: ASSURING QUALITY AFFORDABLE HOUSING FOR ALL NYCHA RESIDENTS

PART 1: INVEST TO PRESERVE – STRATEGY OVERVIEW

1. PACT TO PRESERVE (PTP)
   - Use HUD Section 8 programs, including the Rental Assistance Demonstration (RAD), to fund renovations and convert public housing (Section 9) apartments to permanently affordable housing
   - Convert approximately 62,000 apartments over 10 years
   - Maintain equivalent public housing tenancy rights and protections, as well as NYCHA ownership of the land and control over major decisions

2. BUILD TO PRESERVE (BTP)
   - Accelerate new construction program to develop more buildings on NYCHA sites
   - Develop mixed-income buildings that comply with Mandatory Inclusionary Housing (MIH) levels of affordability to generate significant revenue for NYCHA capital repairs
   - Complete comprehensive renovations at adjacent NYCHA development

3. TRANSFER TO PRESERVE (TTP)
   - Issue Requests for Expressions of Interest (RFEIs) to transfer air rights at high-value sites
   - Generate revenue to deliver renovations at adjacent developments
PACT TO PRESERVE

OVERVIEW

- Establishes a 62,000-unit program that will address roughly $12.8B of capital need over 10 years using HUD Section 8 conversion programs, including RAD
- Accelerates original 20,000-unit NextGen NYCHA (NGN) pipeline by 4 years (from 2026 to 2022)
- Leverages additional funding through Section 8 programs that will be used to complete comprehensive renovations at NYCHA developments

PROGRESS TO DATE

Completed renovations: 1,395 UNITS
Renovation starts: ~2,500 UNITS in 2018
~5,000 UNITS in 2019

PACT TO PRESERVE RENOVATION STARTS
PACT TO PRESERVE: RESIDENTS’ BILL OF RIGHTS

PACT IS PUBLIC-PRIVATE PARTNERSHIP, NOT PRIVATIZATION

NYCHA OWNERSHIP GUARANTEES PUBLIC CONTROL

- **Ground Lease:** NYCHA ground leases its developments and continues to own the land
- **Decision Rights:** NYCHA maintains oversight over all major decisions

CONTRACTUAL OBLIGATIONS ENSURE PERMANENT AFFORDABILITY

- **Permanent Affordability:** NYCHA has approval rights over any material change in affordability
- **Contract Renewal:** PACT Section 8 contracts with HUD automatically renew every 20 years

NYCHA RESIDENTS’ BILL OF RIGHTS

In 2016, leaders from NYCHA resident associations and community-based organizations formed the NYC RAD Roundtable to ensure that NYCHA residents maintain tenancy rights, including:

- **Rent:** continue paying no more than 30% of income on rent
- **Lease Renewal:** automatic if resident is in good standing
- **Resident Organizations:** establish and maintain organizations recognized by NYCHA
- **Succession Rights:** continue for current public housing residents
- **Hearings:** residents have the right to a hearing to resolve grievances
PACT TO PRESERVE: SELECTION CRITERIA

PACT TO PRESERVE WILL REPOSITION THE AUTHORITY TO BE A MORE RESPONSIVE LANDLORD

APPROACH
- NYCHA will select campuses with the highest capital needs and operating costs for the PACT pipeline
  - Scattered site developments that are isolated and over 10% more costly to operate than larger, denser developments
  - "Unfunded" units that do not receive federal subsidies
  - Developments that meet HUD’s "obsolescence" criteria for high capital need

RESULTS
- The post-PACT NYCHA portfolio will be more geographically-concentrated and easier to manage
  - Reduces the number of NYCHA managed buildings by over 50%, while reducing NYCHA managed units by only 33%
  - Enables NYCHA to more efficiently manage its properties and more strategically invest resources in post-PACT developments
BUILD TO PRESERVE

OVERVIEW
- The City will replace the “50-50” new construction program with a program to develop new mixed-income buildings on select NYCHA campuses
- Proceeds from new construction will address $2B in capital need across approximately 10,000 NYCHA apartments
- New buildings will be subject to Mandatory Inclusionary Housing (MIH) levels of affordability and increase the permanently affordable housing stock

HOW THE PROGRAM WORKS
- 100% of the funds generated by new construction will first be used to fully renovate the adjacent development and any remaining proceeds will go to repairs at other developments in the same neighborhood
- Retain ownership of the land (NYCHA will ground lease—not sell—the land)
- Create plans with community input for comprehensive campus improvements
- Issue Requests for Proposal (RFPs) for new developments that comply with MIH affordability levels
- Complete renovations at existing NYCHA public housing apartments at the same time as new buildings are constructed
BUILD TO PRESERVE: ILLUSTRATIVE CASE STUDY

TULIP TOWERS & DAISY GARDENS

- Construct new buildings on the Tulip Towers development sites
- Use 100% of proceeds to fund comprehensive renovations at Tulip Towers
- If there are additional funds, complete comprehensive renovations at the nearby Daisy Gardens

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<tr>
<th>Potential Development Sites</th>
<th>Tulip Towers</th>
<th>Daisy Gardens</th>
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<tr>
<td>Apartments</td>
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<td>5-Year Capital Need</td>
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NEW CONSTRUCTION AT TULIP TOWERS SITES

SCENARIO 1: CURRENT ZONING

- NYCHA Public Housing Apartments Preserved: 500
- Total New Apartments: 430
- New Affordable Apartments (30%): 130
- New Market-Rate Apartments (70%): 300
- Results: Full renovations completed at Tulip Towers

SCENARIO 2: UPZONING TO ALLOW TALLER BLDGS.

- NYCHA Public Housing Apartments Preserved: 750
- Total New Apartments: 650
- New Affordable Apartments (30%): 195
- New Market-Rate Apartments (70%): 455
- Results: Full renovations completed at Tulip Towers & Daisy Gardens
TRANSFER TO PRESERVE

OVERVIEW

- Transfer a portion of NYCHA’s estimated 80 million square feet of unused development rights (“air rights”) to adjacent privately-owned sites
- Generate $1B for capital repairs at adjacent developments

HOW THE PROGRAM WORKS

- Analyze portfolio to determine sites with viable opportunities to transfer development rights
- Issue Requests for Expression of Interest (RFEIs) to transfer development rights at high-value sites
- Deliver renovations at adjacent developments using proceeds from air rights transfers

[Diagram of zoning lots and development rights]
FINANCIAL IMPACT

NYCHA 2.0 + EXISTING FUNDING WILL REDUCE $31.8B 5-YEAR CAPITAL NEED BY UP TO 75%*

** Exact PNA reduction will likely range between 75% and 62% depending on the rate of PNA growth. Pie chart assumes that PNA grows at inflation (3% per year).

** Exact timeline to be determined.

*** 5-year funding is $2.1B. $3.6B is a forward-looking estimate assuming current annual funding rate.

<table>
<thead>
<tr>
<th>NYCHA 2.0 INITIATIVE</th>
<th>NEED Addressed</th>
<th>TIMING</th>
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<tbody>
<tr>
<td>I. PACT to Preserve</td>
<td>$12.8B</td>
<td>10 Years</td>
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<td>II. Build to Preserve</td>
<td>$2B</td>
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<td>III. Transfer to Preserve</td>
<td>$1B</td>
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<td>Existing Funding</td>
<td>$7.9B</td>
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<td>City (Mayor's Initiative + City Capital)</td>
<td>$1.4B</td>
<td>5 Years</td>
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<td>State</td>
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<td>Federal (Capital Plan + FEMA + EPC)</td>
<td>$3.6B***</td>
<td>10 Years</td>
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<td>City (Consent Decree)</td>
<td>$2.2B</td>
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<td><strong>Total NYCHA 2.0</strong></td>
<td><strong>$23.8B</strong></td>
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<td>Remaining Need</td>
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IMPACT OF PNA GROWTH RATES

THE AMOUNT OF CAPITAL NEED ADDRESSED BY NYCHA 2.0 DEPENDS ON THE RATE OF DETERIORATION AND CONSTRUCTION COST INCREASES
Implementation
**FEDERAL RESOURCES FOR NYCHA 2.0**

**NYCHA AND THE CITY CALL UPON OUR FEDERAL PARTNERS TO COMMIT RESOURCES TO THE AUTHORITY**

- Appropriate sufficient Tenant Protection Vouchers (TPVs)/RAD vouchers for the implementation of the PACT program
- Allocate additional capital funding to address the remaining 25% of NYCHA’s capital need
- Work with NYCHA and the City to obtain regulatory relief that will quicken repairs

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**TPV/RAD VOUCHER ESTIMATES FOR PACT TO PRESERVE**

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DEDICATING CITY STAFF AND RESOURCES

THE CITY WILL ESTABLISH TWO DIVISIONS TO IMPLEMENT NYCHA 2.0 STRATEGIES

REAL ESTATE PLANNING AND DEVELOPMENT

- Re-structure and expand NYCHA’s Department of Real Estate into a new division that will focus on (1) planning and (2) development
- Analyze NYCHA portfolio to determine PACT pipeline and closely coordinate with HDC to complete transactions
- Manage the Build to Preserve and Transfer to Preserve processes, including planning, procurement, negotiations, and pre-development

PUBLIC HOUSING RECAPITALIZATION

- Create new division at the Housing Development Corporation (HDC), the nation’s preeminent municipal housing finance agency, to implement PACT to Preserve program
- Work in close coordination with NYCHA’s portfolio planning and resident engagement specialists
- Utilize New York City’s world-class affordable housing infrastructure and leverage HDC’s balance sheet and structuring expertise, while maintaining its strong credit rating
ASSET MANAGEMENT

SAFEGUARDING NYCHA RESIDENTS THROUGH MULTIPLE LAYERS OF PROTECTIONS

- PACT developments will enter the asset management programs of both the Housing Development Corporation (HDC) and NYCHA
  - HDC will extend its asset management program – which currently oversees over 200,000 affordable units – to PACT developments
  - NYCHA will provide asset management for PACT developments in line with other project-based Section 8 developments

<table>
<thead>
<tr>
<th>ENGINEERING</th>
<th>PORTFOLIO REVIEW</th>
<th>REGULATORY &amp; COMPLIANCE</th>
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<tbody>
<tr>
<td>- Complete annual building and unit physical inspections</td>
<td>- Analyze the financial health of the portfolio</td>
<td>- Perform compliance reviews in accordance with regulations</td>
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<td>- Perform scope &amp; cost review</td>
<td>- Review annual project financial statements</td>
<td>- Address applicant &amp; resident complaints</td>
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<td>- Provide construction monitoring oversight</td>
<td>- Monitor project reserves</td>
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<td>- Create repair &amp; improvement plans as needed</td>
<td>- Create “watch list” of potential problems</td>
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<tr>
<td>- Complete Housing Quality Standards (HQS) inspections</td>
<td>- Host forums for existing and new property managers</td>
<td>- Approve income-eligible tenants and perform household income recertifications</td>
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<td>- Administer housing assistance payments (HAP) contracts</td>
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<td>- Manage waiting lists</td>
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NEW JOB OPPORTUNITIES FOR NYCHA RESIDENTS: HireNYCHA

CREATING A NEW PROGRAM—HireNYCHA—TO TRAIN AND CONNECT NYCHA RESIDENTS TO JOBS

SYSTEM INTEGRATION
- Connect NYCHA-specific workforce efforts to the broader NYC workforce system
- Use model built for Sandy Recovery efforts and Workforce 1 system

COMMUNITY CONNECTIONS
- Hire new recruitment and placement staff at the NRTA
- Add new service contracts with local community organizations with deep ties to and success working with NYCHA residents

SKILLS TRAINING AND JOB PLACEMENT
- Train an additional 250 NYCHA residents per year, a 70% increase over current work done at NYCHA Resident Training Academy (NRTA)

ACCOUNTABILITY
- Create a new Section 3 JobStat tracking program to catalog real-time data on Section 3 hiring
- Partner with the Department of Small Business Services

BRIDGE EDUCATION PROGRAMS
- Deliver new preparation programs for job-readiness tests and long-term adult education for 100 residents per year
BOTTOM LINE: WHAT NYCHA 2.0 MEANS FOR NYCHA RESIDENTS

COMPREHENSIVE RENOVATIONS
- Renovated apartments (new kitchens, bathrooms, appliances)
- Comprehensive structural and systems repairs (new elevators, boilers)
- Mold eradication, lead remediation, and pest abatement

IMPROVED PROPERTY MANAGEMENT
- Better NYCHA management of a smaller, more efficient portfolio
- Best-in-class third-party management of PACT developments with oversight from both HDC and NYCHA

PERMANENT AFFORDABILITY
- Continued affordability at rent levels of no more than 30% of household income
- Long-term preservation of a vital source of low-income housing for New Yorkers
NYCHA 2.0
PART 1: INVEST TO PRESERVE

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