

TRI-STATE AFFORDABLE HOUSING FORUM
KEYNOTE ADDRESS
CHAIRMAN JOHN B. RHEA

Good afternoon. Thank you for that warm introduction and for your invitation. It is indeed a pleasure to be with you today. Collaboration is the hallmark of all great endeavors, and I am encouraged by this forum and by the work that each of us is doing to preserve, strengthen and secure safe, affordable housing and the opportunity it represents in the lives of so many families in our City.

I recently achieved my one year anniversary serving as Chairman of the New York City Housing Authority. A year ago when Mayor Michael R. Bloomberg asked me to serve as Chairman, he charged me with three

tasks: secure financial stability for the Housing Authority; improve the quality of life and customer service for NYCHA residents; and forge partnerships with sister agencies and external philanthropies and other key stakeholders.

Reflections

Reflecting on the year that has passed, I can say it has been an education and also a humbling experience and I am grateful to have been welcomed into the affordable housing community by so many of you. I am deeply committed to the families of NYCHA, to the staff and to the entire public and affordable housing community. Intuitively, we all know how fundamental a good home is to our quality of life, but working to secure and preserve housing for so many

children, families and seniors over the past 12 months has profoundly shaped me. As Winston Churchill said, “We shape our dwellings and afterwards our dwellings shape us.” This year has provided me with one of the most meaningful journeys of my career.

So let me begin by telling you why it is vital that we preserve public housing. Public housing is a first step and a fair start for millions of Americans. In New York City alone, NYCHA serves more than 655-thousand people, including NYCHA residents and Section 8 voucher holders who collectively make their homes in 13.2 percent of the city’s rental apartments and comprise 7.8 percent of the city’s population. What often is not appreciated is who these residents are: they are working families, who account for nearly half

our population. They are also retirees, disabled citizens, unemployed or underemployed. 41.9 percent of NYCHA residents receive Social Security, SSI, a pension, Veteran's benefits or some other form of support. They are senior citizens: 35.4 percent of our households are headed by persons over 62 years of age. And they are children: most tellingly – because they represent the future – nearly 39 percent of our residents are under 21 years of age. The issue of rent burden is addressed by maintaining rents no higher than 30 percent of a resident's income.

NYCHA empowers teachers, police, nurses, clerks, hotel workers and other middle- and low- income workers to live, often, where they work and build lives for themselves and their families in the city. These families are an integral part of the vitality of the city

we love and must be provided safe and secure, affordable housing.

In the past year, I have also had stark lessons of how much needs to be done. It is no secret that over the past two decades there has been a federal disinvestment in public housing, as well as the fact that operating subsidies from the State and the City for locally-built public housing were eliminated in recent years. At the same time, the housing stock is aging—169 developments are more than 40 years old with 25 at least 60 years old—estimates are that it would take more than \$5 billion to meet all capital needs in our five-year plan. Clearly new strategies need to be put in place to maintain and preserve these valuable public assets.

Even before I started, I met with resident leadership and a range of stakeholders – some of you who are here in this room. And then on my first day I began visiting developments, community centers and program sites across the city. It was a microcosm of what was to come. In the following months, I assembled staff, and held interactive meetings with all 12,000 NYCHA employees over a two-day period and conducted numerous town halls and public hearings with residents. I met with elected officials in Washington, in Albany and here in New York City, and have had conversations with many advocates and thought leaders in the housing community. I regularly visit the developments and spend a great deal of my time studying the impact public housing has on our City.

Our charge is not simply to see that public housing in New York City survives—but to see that it thrives.

That means that our plans for NYCHA, by definition, will be ambitious. But it also means that we have the tools at hand to achieve our goals, because we will be able to count on everyone, including you, to do their part to ensure that NYCHA and its residents succeed.

While we await the results of the current US Census, we already know that the City is growing. Many have estimated that the City needs to create as many as 500,000 units of additional housing to meet future demand. But we also know that there are only two ways to meet this need—first, build more housing; and, second, preserve and improve the City’s existing housing. This is the challenge – how to accomplish

this in a city that has limited private land for new development and where various financing instruments on which affordable housing plans were predicated have disappeared or become limited while the costs of development continue to increase materially.

Layered on top of this are the changing demographics of special needs populations. We know our population is growing at both ends of the spectrum – people are aging and we have more youth than ever before.

Sadly, despite the highly innovative work of my colleagues at City Hall, the number of New Yorkers living in homeless shelters remains at unacceptable levels. A further challenge is to develop strategies to serve the needs of returning veterans and formerly incarcerated people who are not only in search of housing, but also in need of reintegration into the

workforce. We can only meet these challenges by embracing change, rethinking and redeveloping our strategies and focusing our reform efforts using the opportunities before us.

More than any other single entity in the city, NYCHA—on an impressive scale—manages housing campuses and the delivery of community services and other social assistance. Public housing is the greatest and longest lived model for affordable housing. NYCHA was created in 1934 with the objective of clearing old tenements, improving health and sanitation conditions and remaking New York as a modern city. It also knew from the beginning that low-income families needed access to resources and support to navigate a modern city. That simple

concept is as real today as it's ever been. In our 75th year we stand shoulder to shoulder with all our stakeholders who recognize this enduring legacy and we are eager to enter a new period of positive, transformative change and renewal.

Great time to be at NYCHA

The timing could not be better. The ancient Greeks had a word for the moment we're in—"syzygy"—which means 'the rare alignment of celestial bodies during an eclipse, influencing and changing the earth's gravitational system.' Figuratively speaking, our "planets" are now aligned for change, creativity and innovation. Let me provide some sense of how I interpret the political and social opportunities that are now before us:

First, I have received tremendous support from Mayor Bloomberg as the Housing Authority fulfills its unique role in advancing the Mayor's ambitious *New Housing Marketplace Plan* that, when fully realized, will create or preserve over 165,000 units of affordable housing by 2014 serving low- to moderate-income families or special needs communities. Under the plan 100,000 units have already been created or preserved and the City is well on its way to achieving the Mayor's target.

- In addition, the Obama Administration has demonstrated its commitment to public housing by keeping two campaign promises. For the first time in more than a decade, HUD will fully fund the formula for operating subsidy bringing much needed additional resources to maintain our

developments. And, as promised, funding for public housing authorities was included in the 2009 Stimulus legislation. NYCHA received \$423 million in stimulus capital dollars that is being used to address, in part, the tremendous backlog of capital needs, including roofs, heating systems, elevators and other critical infrastructure.

- The President has launched an ambitious Urban Policy Agenda—an interdisciplinary approach to community development involving public, private, and nonprofit institutions. Already, HUD is modifying its Section 202 Housing for the Elderly program to align the program's regulatory and financing requirements with today's market, ultimately streamlining 202 to make it more

market friendly. The Administration's Choice Neighborhoods Initiative is committed to investing resources in underserved areas to develop schools, clinics, grocery stores and other valuable entities that are the pillars of strong, viable communities. They have proposed the Housing Trust Fund, essentially making available billions of dollars in additional support for cities and municipalities to both preserve existing affordable housing while also facilitating an environment where new housing will be created.

- Most important, there is a national reset emerging in the wake of the mortgage and banking crisis. In recognition that home ownership, while a worthy goal, is not the best solution for every family, there is a more focused,

renewed commitment to provide stable, affordable rental housing for more working Americans. To that end, a number of other innovative tools are being created—on the local level and nationally—to bring real, high quality resources to traditionally underserved communities to revitalize and transform them.

- For example, HUD has embarked on an effort to change the very foundation of how it regulates and delivers rental assistance. Two weeks ago, a radical overhaul of how the government houses its poorest citizens was proposed by HUD Secretary Donovan—the most significant in its history. The Transforming Rental Assistance (TRA) proposal addresses the complexity of HUD’s myriad programs, merges several funding

streams into one, increases the social and physical mobility of public housing residents and attracts private investment to help address the current capital backlog of nearly \$20 billion nationwide. I took the opportunity to go to Washington to testify before Congress in support of this plan.

Seizing the day

The challenge before us is clear: how to take meaningful, lasting advantage of this favorable moment now before us. In order to fully exploit these opportunities we first need to *internally* capitalize our environment at NYCHA.

- We are addressing our own cultural impediments, learning to be less insular, while breaking down departmental and programmatic silos and building a flatter organizational structure. We are aggressively seeking opportunities to embrace innovation and become both quicker and more nimble in responding to all current and future crises.
- We have recognized and supported the accumulated experience and knowledge of our senior staff while simultaneously recruiting new talent from other industries and cities—many of whom have tackled and helped solve similar challenges—to join our team and provide a fresh perspective unencumbered by entrenched alliances or long-standing battle lines.

- We are embracing initiatives and taking old philosophies in new directions that bring with them some inherent risk. For example, we are working with the NYC Department of City Planning to analyze the potential benefits of restoring the street grid at some of our large “tower-in-the park” campuses. Similarly, in Brownsville, while we will demolish Prospect Plaza’s remaining towers, we are working with residents to seize the opportunity to build modern affordable housing that is both integral to the surrounding neighborhood and makes connections within the wider community.
- We have implemented a Green Agenda to reduce our carbon footprint, upgrade our systems and lower energy costs using radical,

cutting edge technology. 80 percent of the pollution in New York City comes from buildings. NYCHA spends more than a half billion dollars each year on utilities—so while this issue is vital to the health of our city and planet, it is vital to NYCHA’s financial health, as well.

- Most important, we approach each new challenge as a potential partner. NYCHA remains committed to galvanizing other city agencies to enhance services and to improve the quality of life for our residents. And we are developing integrated, people-driven solutions that will allow us to engage with potential partners in the public, private and nonprofit sectors because we recognize that our mission of serving some of our most vulnerable fellow

citizens is both too important and too extensive to achieve alone. As I mentioned, NYCHA touches the lives of nearly 700-thousand New Yorkers throughout the five boroughs every day. We are using our scale and our platform to attract top flight philanthropists, corporations and social entrepreneurs who are committed to our cause and passionate about building strong communities.

Early signs of progress

As we have seen in this new century, much can happen in a single year. I am pleased to report that, already, NYCHA is seeing encouraging, early signs of success.

- We began an internal dialogue both within and across departments and also with our most important partner—NYCHA residents. I implemented a Chairman’s blog so that there could be a pointed conversation among the staff on specific topics. And we brokered a community-building conversation between our residents and the New York Police Department (NYPD) to see how we can better protect NYCHA families, while simultaneously improving the

resident-police officer relationship. After listening to resident, employee and police officer concerns, and engaging Commissioner Raymond Kelly, I formed the Safety and Security Taskforce and staffed it with resident leaders, NYCHA managers and NYPD top brass and charged the team to design and implement measures that make NYCHA communities safer and everyone more accountable.

- We also started an external conversation with key partners and stakeholders. Early in my tenure, I created the Office of Public-Private Partnerships and recruited a City Hall veteran to lead our effort. Already, the Office has embarked on the creation of a new Charter School in partnership with the Harlem Children's

Zone and their President and CEO Geoffrey Canada at NYCHA's St. Nicholas Houses. Additionally, we formed a partnership with the Robin Hood Foundation to establish a cutting-edge training academy to prepare public housing residents for jobs within NYCHA, with our contractors and, later to come, in the wider private market. Through such partnerships we hope to continue to expand job creation, promote educational opportunity, increase access to community health care, foster the integration of food and retail markets in our communities, and further revitalize NYCHA neighborhoods for all NYCHA families.

- We have also tackled our finances and the structural deficit that NYCHA managed in the

face of declining aid and increasing non-discretionary costs. I am pleased to announce that for the first time in many years we have a balanced budget. And we are eliminating the deficit in the Section 8 program and expect to resume our leasing activities in the next six months.

- What has received the most attention in recent months was NYCHA's signal achievement in successfully federalizing the 21 State- and City-built developments. NYCHA moved aggressively to "federalize" 20-thousand units that were originally built by the State or the City but for which there was no permanent operating or capital subsidy, thereby making them the single largest contributor to NYCHA's structural deficit.

Through an unprecedented mixed-finance modernization plan, we were able to bring these properties into the federal program and ensure \$250 million of immediate modernization work and an additional annual funding stream of \$65 million. It was a collaborative effort, merging the expertise of NYCHA managers with our colleagues at City Hall and in state and federal government, and at the New York City Housing Development Corporation (HDC) and the Department of Housing Preservation and Development (HPD), Citi Bank and the Housing Development Fund. And it could not have been achieved without the support of our residents who were with us every step of the way, making known their support for this undertaking.

- Federalization was possible because we laid a strong foundation by opening the lines of communication and strengthening existing relationships with our partners and other key stakeholders, as well as forging new coalitions. But Federalization was just the beginning. It will serve as a model for the large-scale collaborative innovations NYCHA will spearhead as we move forward.

Moving Forward

Our nation is once again in a period of dramatic and deep social change. While the current political environment has provided an array of new opportunities, public housing authorities must still contend with overregulation in some areas, unfunded

mandates, rising energy costs and insufficient financial resources to address a growing and persistent body of capital needs. If we are to thrive in this new marketplace, we must continue to work together to develop the new management and economic tools that will enable our organizations to modernize our operations and ultimately fulfill our core mission of serving families.

- In this new environment, we must rethink how we fulfill our missions and we must reconfirm the enduring importance of public housing to New York City and to our entire nation. If we did not fully understand this before, that lesson was clearly brought home in recent days. With her nomination by President Obama to the U.S.

Supreme Court and subsequent confirmation by the U.S. Senate, Justice Sonia Sotomayor, who grew up in public housing, has risen higher in public service than any other former NYCHA resident in our history. On Friday June 4, in response to petitions from residents, community advocates and local elected officials, we held a ceremony in recognition of Justice Sotomayor's achievement by renaming the development where she grew up in her honor. As she said in her remarks, "the development held out the promise of a better life...it was the people that lived here who transformed these buildings into a community, sustained each other and helped the next generation to grow." Justice Sotomayor is the real life embodiment of the axiom "if you

study, if you work hard, and are given opportunity, you can achieve anything.” She sets forth the example for success that all can strive for. We have many more individuals of achievement that are our alumni – achieving success in a variety of fields: from across the professions, in business, science, entertainment and politics. They all serve to define the enduring importance of public housing.

- We must recognize that yesterday’s solutions will not address the challenges we face today. We must join together and establish a new blueprint from which we can create the funding sources necessary to meet our organization’s needs under a predictable, stable and rational program

structure, and that allows for the flexibility to adopt innovative, local solutions, as well. That is why I have undertaken a major effort to produce a comprehensive five-year plan, the *Plan to Preserve Public Housing (PPPH)* that articulates our strategies for preserving, strengthening and securing public housing and increasing the stock of affordable housing in New York City. The Plan will set forth ambitious Five Year goals with an emphasis on ensuring fiscal stability, maximizing the value of NYCHA's assets in a way that preserves public housing and increases the number of affordable units; promotes environmental sustainability; improves the quality of life and enhances self-sufficiency for residents; and ensures a productive and safe working

environment that encourages growth and development using indicators to measure real outcomes on people, in addition to physical assets.

- In developing the Plan, we are employing a transparent and inclusive process, engaging key stakeholders and including staff, residents, elected officials, union representatives, philanthropic funders, community partners, thought leaders and other supporters of public and affordable housing which, of course, includes many of you. We must engage all of our stakeholders in bringing forth the bold ideas that will help NYCHA and all of us who are committed to public and affordable housing secure new

resources, raise capital, identify new markets, and develop the management tools that, I believe, will prove vital to our long term success. Today, collaborative efforts with our sister agencies will lead to better utilization of NYCHA's property, as well as reduced land costs in fulfilling the Mayor's plan to preserve and create affordable housing. We hope to create economically diverse communities through mixed income projects – joining private and capital dollars in support of our efforts. We hope to use new financial instruments, such as New Market Tax Credits, to fund our developments and community services. And we hope to employ new strategies for housing our aging seniors who may live alone, in some cases transitioning their

larger apartments for use by families who may be just starting out while ensuring that our seniors receive the care and services they depend on.

Conclusion

Affordable housing is one of our nation's sacred responsibilities and a public good that is as important today as it has ever been. Today's forum is proof of that. The opportunity we are both presented with and that our collective efforts can help create are of a scale only seen once every few generations—perhaps once every century. The change we seek—and the families we serve depend on—can only be achieved if we work

together. We are blessed in New York City with strong public organizations and government agencies. We are home to the world's renowned philanthropies. We have direct access to the capital of the financial markets. And we have a strong, committed political voice through our residents that is energized as never before. None of us can complete the great work that lies ahead alone. We must seize this opportunity. I need your help and partnership and I truly look forward to working with each of you. Thank you very much!