

TESTIMONY FROM NYCHA CHAIR & CEO SHOLA OLATOYE
EXECUTIVE BUDGET HEARING
COMMITTEE ON PUBLIC HOUSING & COMMITTEE ON FINANCE
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Chair Ritchie Torres, Chair Julissa Ferreras-Copeland, and members of the Committees on Public Housing and Finance, and other distinguished members of the City Council: good afternoon. I am Shola Olatoye, Chair and Chief Executive Officer of the New York City Housing Authority. Joining me today are Karen Caldwell, Executive Vice President and Chief Financial Officer; Nicole Ferreira, Vice President for Development; and other members of NYCHA’s executive team. Thank you for this opportunity to update you on the Authority’s first quarter, our re-forecasted estimate for 2016, and NextGeneration NYCHA.

More than a Plan—a Massive Turnaround Effort

Before I get into the budget, I want to recognize that today is an important milestone for NYCHA. A year ago today, Speaker Melissa Mark-Viverito, Chairman Torres, myself and many other distinguished elected officials, residents and advocates joined Mayor de Blasio in a packed community center in East Harlem’s Johnson Houses for the unveiling of *NextGeneration (NextGen) NYCHA*.

It was a monumental day, not only because the de Blasio administration offered a long-term solution to stabilize the financial crisis facing New York City’s public housing, but because it was a promise; a promise by this administration to change the way NYCHA is funded, managed, and how it serves its residents. We made a serious commitment to improve the quality of life for the more than

400,000 people who call NYCHA home, and to preserve public housing for today and for the next generation.

NextGen was then, and continues to be, a massive turnaround effort to pull NYCHA back from the brink. As we've mapped out in this strategic plan, righting the wrongs that have accumulated over decades will not occur overnight. And even though NYCHA's turnaround is a marathon, not a sprint, we've caught a commanding stride in NextGen's first year.

First Quarter's Performance & 2016's Outlook

When I testified in March, I outlined the challenges NYCHA faces, and specifically the external factors that most directly impact our cash flow. Among these factors are the President's budget, proration rates, Congressional appropriations, the volatility of utility expenses, and the growing cost of employee fringe benefits.

I believe this Committee understands the uphill battle NYCHA must climb each year, so while I won't be reviewing those specific points in my testimony today, I would like to take a moment to recognize and thank you, Chair Torres. Since our preliminary budget hearing, you've championed NYCHA's funding cause and elevated the national conversation on public housing. You've helped put public housing front and center as a priority, making it clear that it is more than a New York issue, but it's a national issue and it should not be overlooked. I, along with all of the people who live and work in public housing, thank you for your voice and leadership.

Let me provide you with a summary.

We originally projected **\$3.32 billion in revenue** from the public and leased housing programs. We now project that to be down slightly to **\$3.30 billion**. However, we originally projected **\$3.38 billion** in expenses, but now expect to close the deficit with **lower expenses of \$3.28 billion**.

While NYCHA will continue to pursue every dollar, especially from the federal and state governments, the Authority has a promising budget update followed by a strong first quarter. We originally projected a *\$60 million operating deficit for 2016*, which included a \$38 million shortfall in the Section 8 program and a \$22 million deficit for the public housing program. With an encouraging First Quarter, I'm pleased to report NYCHA now anticipates a more positive 2016 outlook from NextGen NYCHA initiatives and from a higher than expected Section 8 proration.

Let me provide you with some specifics. Our strong First Quarter in public housing can be attributed, in part, to higher rent collection and lower personnel costs from the general wage increase and central office attrition savings. This year, NYCHA anticipates **\$24 million from central office employee attrition** and other staff integration, which began in 2015.

Separately, we will close the original projected Section 8 deficit, as we received a higher proration than budgeted. Higher funding levels and lower expenses enable us to grow our Section 8 program.

Additionally, we are on track to convert more unfunded City and State units this year. We have already converted 202 units this year, compared to 264 for all of 2015.

NextGen: A Living Document

NextGen isn't a plan frozen in time; it's a living document guiding NYCHA to financial solvency. Only through experience—implementation, evaluation, and adjustment, can we achieve the end goal: identifying the savings and new streams of funding that stabilize operations so as to preserve public housing.

Each year, we will reforecast NGN projections based on how initiatives perform; some may outperform our expectations while other initiatives may not and will have to be revised. Projections are a tool we use to help inform decision-making and guide our program execution. It's only by putting NextGen strategies into practice that we can learn, improve, and move forward. As FDR once said, there are many ways of going forward, but only one way of standing still. NYCHA cannot afford to stand still.

A Year in Review

It's appropriate that this year's budget hearing lands on *NextGen's* one year anniversary. The plan sets forth four principal goals: change the way NYCHA is funded; operate like a more modern, efficient landlord; (re)build existing public housing and new affordable housing; and engage residents in meaningful ways. In just one year, we're seeing some very promising results.

Changing the Way NYCHA is Funded

NextGen's funding goals to achieve financial solvency center on two challenging, yet basic ideas: NYCHA will manage its expenses and collect more revenue.

To start, the Authority would be in a very different place today without the Mayor's major support and forgiveness from long-standing, untenable City payments, including NYCHA's Payment in Lieu of Taxes (PILOT) and NYPD payments. By erasing these debts, NYCHA can keep **more than \$100 million annually** in our operating budget.

Our budget also benefits from greater than expected central office attrition and employee integration in the last year. By the end of 2016, NYCHA will reduce central office costs by \$24 million—30 percent more than originally anticipated in the plan.

To meet our funding goals, NYCHA must also be thoughtful about our ground floor vacancies. In the last 12 months, NYCHA has leased more than 27,000 square feet of ground-floor space to new commercial and community space tenants, which bring in new streams of revenue and benefit the community.

Some new tenants include:

- A new child care center at Washington Heights Rehabs, which will provide early education learning and universal pre-K;
- A new discount store moved into Queensbridge Houses in a space that had been vacant for over a decade; and
- And, optometrist Dr. James Kim, who recently opened his practice on the ground floor of the Williamsburg Houses—a space that had been vacant for

three years and will offer public housing residents and the entire community greater access to comprehensive vision care.

Changing the Way NYCHA Operates

Solving our financial situation is one piece of the puzzle, which goes hand-in-hand with becoming a more modern and efficient landlord. To meet this goal, we are putting technology on the forefront and embedding quality assurance into everything we do.

New Yorkers are mobile and so is NYCHA. The Authority has gone digital with the launch of the MyNYCHA app, which has already been **downloaded nearly 23,000 times**. Residents can create work orders, change appointments, and receive alerts and much more from the convenience of their phone. Over 97,000 non-emergency work orders have been created through the app, **with an average response time of within 7 days**. Since my preliminary budget testimony, not only have we launched the MyNYCHA app in Spanish, but it—and other NYCHA tech initiatives—were recently recognized with an innovation award from regional housing professionals.

At its core, the operational goals in *NextGen* are about responsiveness. With OPMOM, our initiative to increase accountability and to empower property managers, we're seeing trends in a positive direction. Since the end of 2015, OPMOM sites on average had a **17% improvement in response times for routine repairs**.

Another way we will change the way we operate is with Flexible Operations: Expanded Service Hours (FlexOps), a joint initiative with our colleagues at Local 237, which will launch at 12 developments this summer. During a four-month

trial period, NYCHA property staff will start regularly serving residents at those developments before 8 a.m. and after 4:30 p.m. Property management offices will stay open until 8 p.m. one day a week for appointments. We will have multiple shifts to better tackle property upkeep, repairs, and other critical issues, while supporting greater flexibility for our staff to work at different times. Working families will be able to schedule an appointment for a routine repair in the evening after work. FlexOps will improve our residents' quality of life and the overall safety of these NYCHA communities.

Being a better landlord also means moving our capital projects forward, putting our money to work more efficiently to create healthier, safer, and more connected communities.

I'm pleased to announce that, thanks to our FEMA funding, over the past year, we have begun construction at 21 developments that were severely damaged by Superstorm Sandy. These funds have allowed us to make critical repairs to our Sandy-impacted developments and are putting us on the path towards a more resilient NYCHA.

Thanks to Mayor de Blasio's \$100 million investment for roof replacements, we've been able to perform repairs on some of the most damaged roofs. We've completed 19 of 67 roof replacements and are on track to finish all of the roof repairs scheduled for the first \$100 million by spring of 2018. With an additional \$121 million from the Mayor, 30 of our developments are also receiving much needed façade work. By incorporating industry best practices into our procedures and policies, our Capital Department obligates its funds in eight months, which is much quicker than HUD's required 24 months.

To make our developments safer and more secure, we've installed over 12,000 CCTV cameras across 181 of our developments. As part of the Mayor's Action Plan, we completed a \$4.8 million lighting project at the Polo Grounds, installing 341 new energy-efficient exterior lights at the development. Similar exterior lighting projects are currently underway at 9 of the 15 MAP developments. The remaining sites are scheduled to break ground on construction this summer. In addition, CCTV is currently being installed at 7 MAP developments. We expect all of our exterior lighting projects to be complete by next summer, and all of the CCTV and layered access installation to be complete by the following summer.

Additionally, with \$15.7 million in funding from the City Council and the State, we are installing CCTV cameras, along with layered access security measures, at 23 developments this year—that should be completed on time by the end of the year.

(Re)Build: Changing the Way NYCHA Looks

NYCHA's development program is a lifeline to achieving financial solvency, preserving public housing, and creating more affordable housing across New York City.

The reality is NYCHA will only survive if we identify new, uncommitted streams of funding. We cannot bet NYCHA's future on hypotheticals and other funds outside of NYCHA's purview. Development on NYCHA land—for both revenue and affordable housing—is a balanced approach to solving many of the problems facing the Authority and the affordable housing crisis in New York City.

We are facing the burden of an unmet capital need of \$17 billion for our aging developments. We must bring in new sources of revenue, upgrade buildings, and improve the quality of life for our residents.

One solution to address the major rehabilitation needs of our aging buildings is through RAD or the Rental Assistance Demonstration (RAD) program, which continues to garner growing support. We are completing our review of proposals from potential developers and we hope to announce a selection by the end of June. Through this program we plan to upgrade 1,400 apartments at Ocean Bay Apartments (Bayside) in the Far Rockaways—an investment that will likely total more than \$150 million in capital improvements.

The RAD announcement follows another important announcement we made earlier this month: NYCHA and HPD selected the developer teams to build 100% affordable housing and community centers at Ingersoll and Van Dyke Houses in Brooklyn, and at the Mill Brook Houses in the Bronx. NYCHA incorporated the input of residents and as a result, the applications include community center programming, innovative design and affordable housing for seniors and families.

A key component of NextGen is engaging with residents in new ways. We are taking this approach with the NextGen Neighborhood program at Wyckoff Gardens and Holmes Towers. Residents have been at the table as never before. Between the two developments, more than 600 residents at over 36 meetings have spoken up, contributed and provided critical feedback to what should be included in the Request for Proposals (RFP). The RFP, which we hope to release in the coming weeks, really is a testament to the good work and conversations that have occurred at these two developments.

As we continue to bring residents to the table we will continue to incorporate their input to help guide our work. NextGen is about doing things differently to better serve our residents. Through resident leadership and strategic partnerships, NYCHA is committed to creating opportunities for meaningful resident and community input.

CONCLUSION

NYCHA has learned a lot through NextGen's first year of implementation. This is a major turnaround effort with significant budget implications. I am committed to getting it right.

As always, we appreciate your partnership in strengthening New York City's public housing.