

# The Plan To Preserve Public Housing



## El Plan Para Preservar La Vivienda Pública



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**T**he New York City Housing Authority (NYCHA) oversees the largest public housing program in the country -- larger than the next 16 public housing authorities combined. Established over 70 years ago, NYCHA's mission has been, and continues to be, providing decent, affordable housing to low- and moderate-income New Yorkers. NYCHA has remained true to its mission, providing not only housing but also an array of educational, employment, recreational and other services for residents in 520 community facilities. Today almost 414,000 New Yorkers make their homes in NYCHA's public housing developments.

## **The Plan To Preserve Public Housing**

Like many other housing authorities around the nation, NYCHA is at a critical juncture. We can no longer self-fund structural budget deficits from fiscal reserves -- a strategy we have relied upon for several years to avoid a decrease in services. These deficits are the result of federal subsidies that fail to keep pace with increases in NYCHA's day-to-day operating costs, which are driven by the soaring costs of energy, pensions, healthcare, worker's compensation, labor and other non-discretionary expenses that have risen by 49% over the past five years. We must achieve financial balance or face the risk of bankruptcy, federal receivership or possible diminution of public housing.

NYCHA derives its annual operating income from two sources: a subsidy from the U.S. Department of Housing and Urban Development (HUD) and from rent receipts. HUD's federal subsidy is essential to cover the gap between the costs of operating and maintaining approximately 179,000 public housing apartments in 344 developments and the money collected from residents in rent. NYCHA has already successfully implemented over \$400 million in cumulative spending reductions since 2003. However, because of inadequate subsidy and a rent structure that has remained unchanged since 1989, operating expenses for which NYCHA will not be reimbursed have grown to over \$258 million since 2001. By comparison, there has been a 53% increase in rents for rent-stabilized apartments to cover rising operational costs since 1989.

Other cities -- Chicago, Philadelphia, Atlanta, Newark, Baltimore, and many others -- when faced with crumbling infrastructure and financial constraints, have demolished public housing. This is not an option for New York City. Public housing plays a vital role in preserving the diversity of New York City, a city faced with a shortage of affordable housing. Mayor Michael R. Bloomberg has made a strong commitment to preserving public housing, as well as to expanding new and renovated affordable housing in New York City by 165,000 units by 2013, through the New Housing Marketplace Plan, the most ambitious local affordable housing program in the nation's history. NYCHA is a key partner in the Mayor's overall housing plan. NYCHA will use its underutilized and vacant properties to develop new affordable housing in collaboration with the Department of Housing Preservation and Development (HPD) and the Housing Development Corporation (HDC).

Answering the Mayor's mandate to bring long-term financial stability to NYCHA without diminishing the stock of affordable housing, under the leadership of Chairman Tino Hernandez, NYCHA has created a seven-point Plan to Preserve Public Housing (PPPH) that will meet current financial challenges, improve the quality of service, and achieve long-term financial balance, thereby ensuring the future of public housing.

**The Plan to Preserve Public Housing (PPPH)** achieves long-term financial stability by taking necessary steps now to address inadequate federal subsidies, rising costs, and unfunded non-federal units.

## The Plan Summary:

- Includes an unprecedented \$100 million transitional aid allocation from the City of New York;
- Implements a limited "Targeted Rent Reform" initiative, which increases rents for a small segment of NYCHA households (27%) who pay proportionately less rent and whose rents have been capped at the same ceiling rents since 1989 (ceiling rent for a two-bedroom apartment is \$495), irrespective of increases in their annual household incomes. Ceiling rents are the maximum amount of rent that households pay by bedroom size to live in a NYCHA development. The majority of NYCHA households (73%) -- those least able to afford a rent increase -- will have their rents preserved at current levels;
- Introduces a new funding stream (Section 8) to permanently subsidize the operations of 8,400 non-federal apartments, those built by the City and State that do not receive any government subsidy, and preserve them as subsidized housing for low-income New Yorkers;
- Accelerates a comprehensive construction program to maintain public housing in a state of good repair for future generations;
- Continues NYCHA's efforts to improve the quality of core services to residents while maximizing efficiencies;
- Diversifies revenue streams through expanded leasing of commercial space on NYCHA property, revenue from transfer of underutilized lots for affordable housing, and modest increases in resident-based fees and charges; and
- Builds on the consistent and successful action by Mayor Bloomberg in Washington, and urges legislative and executive action in both Washington and Albany to generate new funding options to support public housing and to provide relief from certain burdensome federal regulations.

The PPPH builds on the management tools that NYCHA implemented over the last several years that have already cut costs by \$400 million since 2003 through a series of efficiencies, from reducing headcount to cutting administrative and operational contracts. It relies on our continued partnership with the 413,817 residents of public housing, a myriad of community-based organizations that provide programming and social services to NYCHA residents, and community leaders who have a stake in the well-being of public housing.

## 1. The Plan:

### **Utilizes an Unprecedented Transitional Aid Allocation from the City of New York**

NYCHA faces a budget gap of \$168 million in 2006 resulting from rising expenses and funding from Washington that fails to keep pace with these increases.

In line with Mayor Bloomberg's strong advocacy on behalf of and commitment to public housing, the City of New York will provide NYCHA with an unprecedented allocation of \$100 million as transitional funding while NYCHA's long-term plans are put in place. The Mayor will propose the allocation as part of the City's FY2007 Executive Budget and will work with the City Council to implement the aid proposal as of July 1, 2006. This funding will allow NYCHA to continue operations and service to residents while its budget balancing efforts are realized.

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***Without Mayor Bloomberg's unprecedented \$100 million commitment, NYCHA's only recourse to preserve public housing would be to triple monthly rents for thousands of public housing residents, or to lay off staff, reducing maintenance and other services at developments.***

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## 2. Implements a Limited "Targeted Rent Reform" Initiative

Rent is a critical source of revenue for the day-to-day operations of NYCHA's 344 public housing developments. It is the only source of revenue over which NYCHA has any direct control. NYCHA has not adjusted its ceiling rents, meaning the maximum rent allowed based on apartment size irrespective of income, since their inception in 1989, despite extreme market pressures to do so.

NYCHA will seek rent increases for only the segment of NYCHA households (27%) who are paying ceiling rents. This group has an average income of \$41,480 and pays far less than 30% of their income towards rent. We are proposing that residents who have the highest household incomes allot more of their incomes towards rent. The vast majority of NYCHA households (73%), whose incomes average \$11,587 and who already pay 30% of the income in rent will not be affected by this rent increase.

### **How NYCHA keeps rents affordable:**

- Two key factors determine public housing rents: (1) by law, public housing residents pay no more than 30% of their household income towards rent, and (2) the "ceiling" or maximum rent, based on apartment size caps the amount a household pays for rent irrespective of income. Residents pay whichever is less.
- The 27% segment of NYCHA households who will see a rent increase currently pay ceiling rents for their apartments. By definition, this means they are paying less than 30% for rent. In fact, the 13% of households at the highest incomes pay, on average, only 15% or less of their incomes for rent. They are being asked to pay more based on how much income they have. These households will be divided into three income bands, and rent increases will be 10%, 20% and 40%, respectively, over a two-year period. In no case will any rent exceed 30% of income. (Exact rents and income bands are available on NYCHA's web site.)

NYCHA will seek resident input on the proposal through public meetings and will submit the "Targeted Rent Reform" proposal to HUD as an amendment to the 2006 Annual Plan for implementation by September 1, 2006. Rent increases will be rolled out in phases as part of the annual income verification and recertification process for NYCHA households.

## **3**

### **Introduces a New Funding Stream (Section 8) to Subsidize Operations at 8,400 non-federal apartments**

Within NYCHA's housing portfolio are 21,000 State and City apartments built in the 1950's and 1960's that have been operating as public housing for 50 years. These developments do not receive any operating subsidies from City, State or Federal sources and have contributed to the increasing drain on NYCHA's federal resources. In 2005, for example, NYCHA was forced to use over \$82 million in reserves to offset the operating deficits at these locations. Without a source of subsidy to fill the gap between the rents collected and the costs of operating the buildings, NYCHA can no longer afford to maintain these non-federal units.

NYCHA proposes to leverage a portion of its federal Section 8 funding stream to subsidize the operations of 8,400 of these 21,000 City and State apartments. NYCHA will continue to own and manage these units and maintain them as affordable housing for low-income New Yorkers.

The first steps toward accomplishing this transition will be to use Section 8 for all units in City and State developments as they become vacant, and to offer Section 8 vouchers to current City and State development residents on a voluntary basis. The vast majority of these households will see no change in their rent with this modification.

At the same time, NYCHA will continue to make Section 8 vouchers available to Victims of Domestic Violence, Intimidated Witnesses, Family Reunification Cases and others in need.

**NYCHA's Section 8 Success:**

NYCHA operates the nation's largest and most successful federal Section 8 program. The program subsidizes rents for eligible low-income families who pay only 30% of their income towards rent but instead of living within developments these families rent apartments in the private housing market. Section 8 vouchers are "portable," allowing eligible families to move either within New York City, or leave the City, as long as the Public Housing Authority accepts the voucher and the apartment they choose meets quality and rent guidelines.

# 4

■ **Accelerates Vital Construction Projects to Keep the City's Public Housing Stock in Good Repair**

NYCHA's buildings -- many of which date back to the 1930's, '40's and '50's -- are aging. Building systems like boilers and elevators need to be replaced and building exteriors (roofs, brickwork) need major repairs. Timely construction to repair and replace these systems will prevent compounding operational expenses in the future.

Thus, in 2005, Mayor Bloomberg and NYCHA Chairman Tino Hernandez announced the most comprehensive plan in City history to modernize the physical structures of NYCHA's developments. Under this \$2 billion plan, proceeds from \$600 million in bond sales plus capital funds from HUD are already being used to accelerate exterior repairs in 340 buildings at 40 NYCHA developments in all five boroughs. Phase two of construction will focus on infrastructure improvements including heating and plumbing systems, automated boilers and elevator replacement. Enhancing the capital program is CM/Build, or the Construction Management Build Program. In place for two years now, CM/Build has begun to show significant benefits as private firms manage the Authority's major capital projects to ensure on-schedule completion of capital projects within budget. Community Centers continue to be a vital part of NYCHA's capital construction program, providing educational, recreational and social services to NYCHA residents and their neighbors. NYCHA has completed 50 new/renovated centers and has another 12 planned that are under construction or in design.

## **5. Implements Management and Technological Improvements to Reduce Costs and Improve Services**

NYCHA's goal is to improve resident services by implementing critical technological initiatives while conserving costly energy.

- An innovative Centralized Call Center ("CCC") allows NYCHA to better use its resources and improve customer service, responsiveness and communication with residents. The CCC is available to residents 24-hours-a-day/7-days-a-week so that they can call for repairs and schedule maintenance appointments. The CCC is the "front door" to a new automated customer service environment for residents. A new comprehensive technology initiative will make the CCC's infrastructure more robust by building the foundation for linking resident information and files from point of initial contact during the housing application process, through the life of the family's residency in public housing or Section 8, to move-out. This system is operational in Staten Island, Queens and will be expanded to Manhattan next and then citywide.
- NYCHA will further decentralize paint and elevator operations to have resources closer to point of service.
- NYCHA will fully implement the Computerized Heating Automated System, which allows heating systems in NYCHA developments to be monitored remotely so that property managers can identify and prevent heating problems even before they occur. Other boiler technologies will replace inefficient hot water tanks with new "tank-free" technology and with water treatment devices that eliminate mineral deposits, which impair efficiency.
- We will identify community-based organizations to operate or enhance the management of NYCHA Community Centers as they come on line.
- NYCHA will consolidate select management offices to reduce costs. Satellite offices will open at the select developments with staff on site to address resident needs.
- To further reduce costs, NYCHA will continue to reduce personnel through attrition by eliminating 50% of staff vacancies, reduce the administrative costs of our capital program, and implement computer infrastructure savings.

## **6. Diversifies Revenue Streams to Address Future Risks to Our Federal Subsidy**

While NYCHA improves efficiency, we must also boost revenue in the face of diminishing resources.

- NYCHA will expand leasing of commercial spaces on NYCHA grounds, doubling efforts in acquiring tenants at prevailing market rates.

- NYCHA will generate revenue from our transfer of underutilized lots for affordable housing in collaboration with HPD.
- NYCHA will implement an increase in resident-based fees and charges in three areas: (1) for use of heavy-duty appliances owned and installed by residents, which partially offsets the costs of electricity and water usage; (Ninety-three percent of NYCHA households do not pay a bill for electricity or gas, nor are they charged for water.); (2) for the replacement or repair of items damaged by residents. (Most residents will not be affected by these fees, only residents who have caused damages.); and (3) for the privilege of off-street parking on NYCHA lots, with discounts for seniors and disabled residents

# 7

## ■ Urges Legislative and Executive Action in Washington and Albany

Building on Mayor Bloomberg's strong advocacy in Washington, NYCHA will continue efforts to prevent further erosion of our financial stability. NYCHA will pursue legislative and executive branch action in Washington and in Albany to obtain new and flexible funding for affordable housing.

- NYCHA will petition HUD under their innovative Moving-to-Work Program to:
  - Provide relief from other unfunded mandates, such as the Community Service Requirement;
  - Streamline federal rules and regulations and provide relief from non-essential administrative costs;
  - Implement housing and self-sufficiency strategies in a streamlined fashion so that we can combine funding streams for maximum financial flexibility.
- Seek Albany support for State units not slated for transition to Section 8.

## A Bright Future

NYCHA is no stranger to challenge or difficult choices. Indeed, there is no choice for NYCHA: the preservation of affordable public housing lies at the heart of a city known as "The City of Opportunity." Since 1934, when First Houses were announced on the Lower East Side of Manhattan, NYCHA has historically been admired as a model of excellence, compassion and the most stable housing authority in the country. With this Plan, NYCHA will continue to be that national model long into the future.

We thank Mayor Michael R. Bloomberg for his leadership on affordable housing and his strong commitment to ensure the viability of this most important resource -- public housing -- for current and future generations of New Yorkers.

**For more information visit NYCHA's website at [nyc.gov/nycha](http://nyc.gov/nycha)**