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Report to the Committees on Finance and Public Housing
on a Reforecasted 2015 Budget for the

New York City Housing Authority

June 8, 2015

2015 Budget Highlights

- **Operating Budget Deficit:** A reforecasted 2015 Operating Budget for the New York City Housing Authority (NYCHA) projects an overall deficit of \$7 million, a decrease from the approximately \$92 million deficit projected in the 2015 Adopted Operating Budget.
- **Operating Plan Revenues:** NYCHA's total revenues for 2015 are approximately \$3.1 billion. About \$997 million, or 32 percent, of NYCHA's Fiscal 2015 budget is comprised of tenant rental revenue. Revenue from the Section 8 Housing Choice Voucher program accounts for approximately \$955.4 million, or 31 percent of NYCHA's total revenue. Federal operating subsidies account for 29 percent of the Authority's operating revenues, or \$898.8 million in 2015. Total other revenue, which includes \$18.6 million in City funds, is projected to be about \$264.8 million in 2015.
- **Headcount Reductions.** The Authority's 2015 Operating Plan includes 11,318 budgeted positions; the number of budgeted positions declines to 11,001 by 2019. NYCHA anticipates that these reductions will generate \$63.7 million in savings in 2015 and \$306 million in total savings for years 2015-2019.
- **Financial Impact of NextGeneration NYCHA.** The Authority recently launched *Next Generation NYCHA*, a strategic, long-term initiative aimed at reducing operating costs, achieving financial stability, and building and preserving public housing. The Authority estimates that these strategies will result in annual operating surpluses of \$230 million over ten years.
- **Ten-Year Capital Strategy:** NYCHA's Ten-Year Capital Strategy for Fiscal 2016-2025 totals \$899.3 million, comprised of \$591.3 million in City tax-levy funds and \$308 million in federal disaster recovery funds. This funding provides for building exteriors replacement and systems upgrades, including: mold removal, elevator repairs, hot water heater replacements, and other construction projects.

- **Capital Budget:** The Fiscal 2015 Executive Capital Commitment Plan includes \$918.9 million in Fiscal 2015-2019 for NYCHA: \$792.2 million in Mayoral funding, \$115.8 million in City Council funds, and \$10.9 million from Borough Presidents.

New York City Housing Authority Overview

This report highlights changes in the Authority's 2015 budget assumptions since the adoption of the Fiscal 2015-2019 Operating Plan in November 2014. The section below provides an overview of NYCHA's budget and how it has changed in 2015, followed by a review of the significant budget actions introduced in the NYCHA's reforecasted 2015 Operating Budget. An analysis of NYCHA's Ten-Year Capital Strategy and highlights of the Capital Commitment Plan for the City's Fiscal 2016 Executive Budget follow the discussion of the Expense Budget. For additional information on the Authority's budget and its various programs, please refer to the Fiscal 2016 Preliminary Budget Report for NYCHA located at: <http://council.nyc.gov/html/budget/2016/Pre/nycha.pdf>

NYCHA 2015 Reforecasted Budget (All Funds) <i>*In Millions</i>	2015 Adopted Budget	1st Quarter Budget		2015 Reforecast Variance
		Budget	Actuals	
Revenue from Operations	\$1,015	\$254	\$252	(\$2)
Federal Operating Subsidy	899	225	216	(9)
Section 8 Housing Assistance Payments	955	239	252	13
Section 8 Administrative Subsidy	70	17	17	0
Other Revenue	177	44	42	(2)
Total Revenues	\$3,116	\$779	\$779	\$0
Personal Services	1,272	318	297	(21)
Supplies	61	15	14	(1)
Utilities	593	148	177	29
Contracts	148	37	17	(20)
Insurance	52	13	11	(2)
Housing Assistance Payments	955	239	239	0
Other Than Personal Services	134	33	31	(2)
Total Expenses	\$3,215	\$803	\$786	(\$17)
2015 Reforecasted Surplus/(Deficit)	(\$99)	(\$24)	(\$7)	(\$17)

NYCHA's budget is not part of the City's budget and NYCHA's fiscal year follows the calendar year. On November 26, 2014, the NYCHA Board approved the 2015-2019 Operating Plan, which projected an overall deficit of \$99 million in 2015. Since then, several initiatives have impacted the Authority's budget for the current fiscal year. For 2015, these include \$16.6 million in operational savings from the City's relief of NYCHA's payment in lieu of taxes (PILOT), \$2.4 million in operational revenue from securing federal funding for 330 units with no dedicated funding stream, and \$5 million in increased rent collection.

These and other initiatives were recently announced by the Authority in *NextGeneration NYCHA*. While this report does not provide an in depth analysis of all strategies NYCHA will pursue in NextGeneration NYCHA, major actions of the plan are further outlined below.

Next Generation NYCHA

In May 2015, NYCHA unveiled *NextGeneration NYCHA*, a ten-year strategic action plan that introduced several new initiatives and actions intended to generate operating funds, reduce operating costs and structural deficits, pursue development opportunities, and improve social service delivery and other core services. The key actions in *NextGeneration NYCHA* that will impact NYCHA's Operating Budget in 2015 and in the outyears include:

- **Rent Collection.** In 2015, about \$997 million, or 32 percent, of NYCHA's operating budget is comprised of tenant rental revenue. However, NYCHA currently has a 74 percent rent and fee collection rate. In December 2014, the Authority billed tenants \$33.4 million in back rent and fees, and \$83.4 million in rent and related fees, but collected \$81.1 million, or 69 percent, of the billed amount. In order to improve collection rates, NYCHA will change internal procedures. This policy is expected to result in \$30 million in annual operating revenue.
- **Headcount Reductions.** The Authority will reduce its central office workforce by nearly 1,000 positions through attrition and the transfer of positions into other City agencies. These measures will reduce salary and fringe expenditures by approximately \$90 million in 2015 and in the outyears.
- **Lower energy costs.** Through a series of competitive Energy Performance Contracts (EPC), NYCHA will implement at least \$100 million in energy-saving measures across nearly 300 developments, as well as create about 500 jobs. The EPC will enable NYCHA to achieve energy and water savings without having to provide upfront capital dollars. The selected energy services company will implement energy and water conservation measures and provide a guarantee of energy savings from these measures. These savings will enable NYCHA to secure a loan to cover the costs of installation, and will result in additional cash flow to help repay the loan. The savings from the newly installed energy and water measures are subject to change based on fluctuations in utility pricing. The first stage of the initiative will impact 89 properties and over 200,000 residents.
- **Expand Affordable Housing at NYCHA.** To support the development and preservation of 200,000 affordable housing units outlined in the Mayor's Housing Plan, *Housing New York*, NYCHA will coordinate with the Department of Housing Preservation and Development (HPD) to solicit request for proposals (RFPs) for on-site development. NYCHA will develop 10,000 new affordable housing units on underutilized land, such as empty lots and parking lots, within NYCHA developments. The new housing units are projected to provide \$100-\$200 million in operating revenue for the Authority over a ten-year period. NYCHA will release RFPs for the first three developments (Millbrook, Van Dyke, and Ingersoll Houses) in June 2015.
- **Rental Assistance Demonstration Program (RAD).** NYCHA has approval from the U.S. Department of Housing and Urban Development (HUD) to convert approximately 1,400 units at Ocean Bay Apartments - Bayside in Far Rockaway to project-based Section 8 through HUD's RAD program. The conversion of these units will provide long-term Section 8 rental assistance contracts and a stable, federal funding stream. Once converted, the RAD units are projected to provide \$66 million in operating revenues and reduce capital needs by \$87 million over a ten-year period.
- **Project-Based Section 8.** The Authority currently operates 4,962 units that receive no dedicated federal, State, or local government funding. These units were built by the City and

State but no longer receive operating or capital support. NYCHA currently obtains additional subsidy for approximately 100 to 300 units annually through the use of project-based Section 8 vouchers when there is a turnover of a unit. Subject to HUD approval, NYCHA will pursue federal subsidy for all 4,962 unsubsidized units. This will generate \$60 million in annual operating revenue.

- **Public Housing for Homeless Families.** Approximately 5,000 apartments become available each year inside developments run by NYCHA. Currently, the Authority dedicates 750 public housing units per year for homeless families and accommodates 500 families into public housing through voucher programs. The Council and housing advocates have contended that the 1,250 unit set-aside for homeless families is not enough to address record levels of homelessness; more than 58,000 homeless New Yorkers, including 25,000 children, stay in the City's shelter system each night. As a result, beginning in 2016, NYCHA will dedicate an additional 750 apartments a year in public housing to homeless families. In exchange for the additional units, the City will provide NYCHA with the same subsidy it provides to private landlords to house homeless families. This will generate about \$37 million in annual operating revenue.

Other Highlights

- **New York City Police Department (NYPD) Payment Relief.** Historically, NYCHA has paid the City approximately \$70 million annually for NYPD police services at NYCHA developments. The Mayor's Fiscal 2015 Preliminary Budget first relieved NYCHA of \$52.5 million that would otherwise be owed to the NYPD in Fiscal 2014 so more money would be steered to service outstanding maintenance and repair work orders. NYCHA was also granted reprieve from paying the full \$70 million NYPD payment in Fiscal 2015. Under the City's Fiscal 2016 Preliminary Budget, \$70 million in City funds was baselined in NYPD's operating budget through 2019 to relieve NYCHA of annual payments for NYPD patrols. An additional \$2.4 million was baselined in NYPD's budget through 2019 to pay for overtime patrols at NYCHA developments.
- **Payment in Lieu of Taxes (PILOT) Relief.** NYCHA is exempt from paying property taxes, however, since 1949, the Authority has provided payments in lieu of taxes (PILOT) to the City of New York. The Mayor's Fiscal 2016 Executive Budget relieves NYCHA of \$33.2 million in PILOT payments.
- **Crime Reduction Initiatives.** In July 2014, the Administration announced the Mayor's Action Plan for Neighborhood Safety (MAP), a comprehensive multi-agency effort to address public safety concerns and promote crime reduction in 15 housing developments that drive 20 percent of NYCHA's violent crime. The initiative has provided \$210.5 million for a variety of programs and service enhancements overseen by the Mayor's Office of Criminal Justice (MOCJ), including: security enhancements, exterior lighting, the civilianization of 200 police officers, and other investments. As of April 2015, these efforts have reduced violent crime (murder, rape, robbery, felony assault and shootings) by 8 percent. Building on the successes of this initiative, NYCHA will deploy \$101 million in asset forfeiture funds for key infrastructure upgrades and public safety evaluation and programming at the 15 designated developments.
- **Right Sizing Incentive Program (Pilot).** The Executive Budget includes \$8.4 million in City funds in Fiscal 2016 to support a right sizing incentive pilot program at NYCHA. The

structure of this program is still being developed and at the time of this report, details had not yet been finalized.

NYCHA Budget Response

The Council's response to the Administration's Fiscal 2016 Preliminary Budget called for several budgetary changes for NYCHA, including baseline funding for the operation of NYCHA's community and senior centers, funding to support a language assistance program, funding to support a participatory budgeting process, and dedicated City capital funds for structural improvements. The Fiscal 2016 Executive Budget provides additional funding for community and senior centers and capital funding for a roof repair program.

- NYCHA Community and Senior Centers.** The Council called on the Administration to fully fund the ongoing operation of 24 NYCHA managed community centers and 33 NYCHA managed senior centers. Due to the high costs of managing the centers and severe government funding shortfalls facing NYCHA, the Authority has proposed closing NYCHA managed centers several times. Most recently, in Fiscal 2015, a budget agreement was reached between the City Council and the Administration, in which the City Council provided \$17.1 million to NYCHA in Fiscal 2015 for the operation of 24 community centers and 33 senior centers. In Fiscal 2016, all 24 Community Centers currently under NYCHA management will be transferred to the Department of Youth and Community Development (DYCD). The Fiscal 2016 Executive Budget includes \$29.1 million for DYCD through 2019 for the operation of NYCHA's 24 community centers. In addition, the Fiscal 2016 Executive Budget includes \$5 million for the Department for the Aging (DFTA), through 2019 for the operation of 17 senior centers previously under NYCHA management. Beginning in July 2016, DYCD will begin to operate the 24 community centers and DFTA will begin to operate 17 senior centers; the senior centers that will be transferred to DFTA management are detailed below. As of June 2015, 15 senior centers remain under NYCHA management.

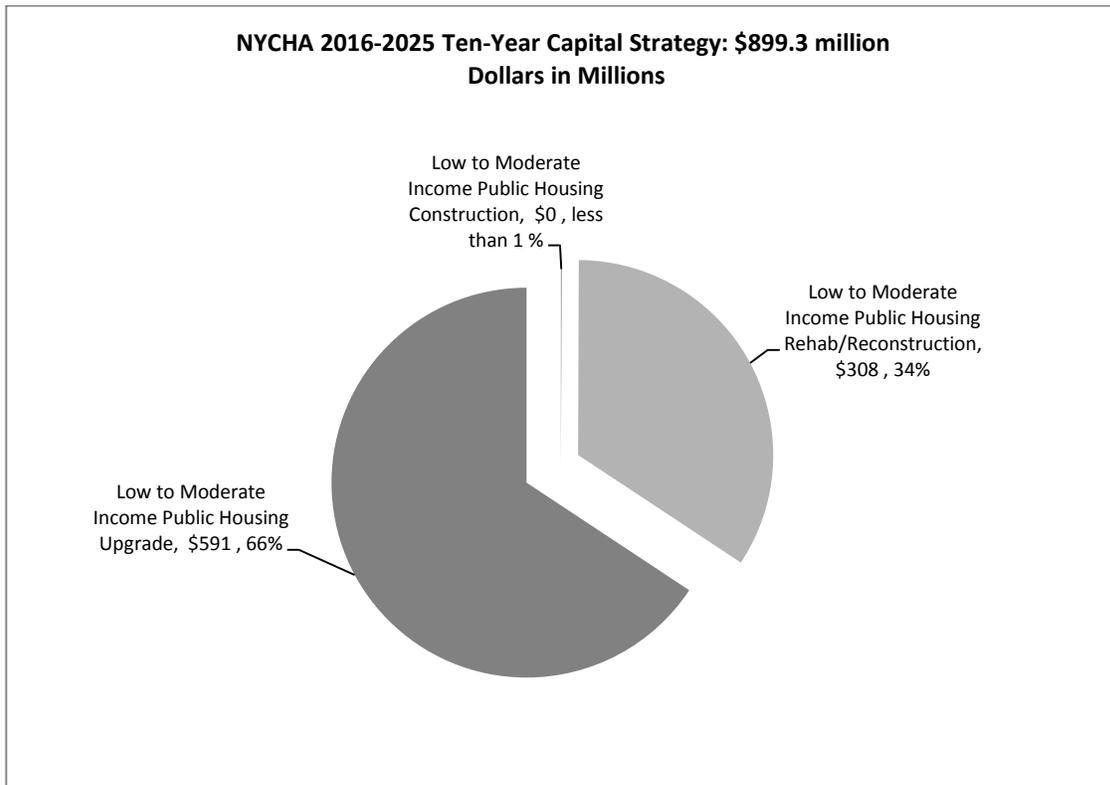
Number of Senior Centers	Borough	Development	City Council Member
1	Bronx	Ft Independence	Cabrera
2	Bronx	Morrisania Air Rights	Gibson
3	Brooklyn	Armstrong	Cornegy
4	Brooklyn	Brevoort	Mealy
5	Brooklyn	Cooper Park	Reynoso
6	Brooklyn	Marcus Garvey	Mealy
7	Brooklyn	Palmetto Gardens	Reynoso
8	Brooklyn	Seth Low	Mealy
9	Brooklyn	Stuyvesant Gardens	Cornegy
10	Manhattan	Douglass Addition	Levine
11	Manhattan	King Towers	Dickens
12	Manhattan	Lehman	Mark-Viverito
13	Manhattan	Meltzer Towers	Mendez
14	Manhattan	Rangel	Dickens
15	Manhattan	St. Nicholas	Dickens
16	Queens	International Towers	Miller
17	Queens	Shelton	Lanctman

- **City-funded Roof Repair Program.** The Council called on the Administration to provide dedicated capital funding for NYCHA. In February 2015, the Administration sought a State match for \$300 million in funding for NYCHA to support the creation of a \$600 million vital roof replacement program. In April 2015, state lawmakers approved New York State's Fiscal 2015-2016 Enacted Budget, which included only \$100 million in capital funds for NYCHA. The State's guidelines for funding proposal submissions explicitly discourage basic infrastructure repairs, such as roofing or mechanical systems. Instead, the State's \$100 million allocation to NYCHA will fund physical improvements such as lighting, landscaping, recreation equipment, security systems and appliances. In contrast, Mayor de Blasio announced that the City will move forward with a \$300 million capital commitment for roof replacements at NYCHA over the next three years. The City's first \$100 million allocation will be used to replace roofs at 66 buildings within five developments, which include: Parkside (14 buildings) in the Bronx; Sheepshead Bay (18 buildings) and Albany (6 buildings) in Brooklyn; and Queensbridge South (14 buildings) and Queensbridge North (14 buildings) in Queens. Construction at the 66 buildings is set to begin in June 2015 and impact approximately 13,000 NYCHA residents.
- **Language Assistance Program.** The Council called on the Administration to provide funding for the creation of a language assistance program where ten percent of the residents in any development are not English-proficient. The Fiscal 2016 Executive Budget includes no actions to address concerns related to access to critical services in non-English languages.
- **Participatory Budgeting.** The Council called on the Administration to provide funding to support a citywide participatory budgeting process at five NYCHA developments. The Fiscal 2016 Executive Budget includes no actions to address concerns related to participatory budgeting.
- **City Capital Match for Critical Systems Improvements.** The Council called on the Administration to match the Council's \$25 million capital commitment in Fiscal 2016 for capital work at five targeted developments with the most open work orders. The Fiscal 2016 Executive Budget includes no actions to address these concerns.

NYCHA Capital Program

Ten-Year Capital Strategy

The Ten-Year Capital Strategy (the Strategy) is created every other year, as prescribed by the City's Charter, and represents the Administration's priorities for maintaining the City's core infrastructure, moving the City's infrastructure towards a state of good repair and meeting legal mandates. The Strategy is broken out into unique Ten-Year Plan Categories for each City agency which describe the different types of work being done. The Strategy also plays a key role in establishing the planned capital commitments for the City's four-year Executive Capital Commitment Plan, which is a subset of this long term strategic document.



The Strategy released by the Mayor on May 7, 2015 totals \$83.8 billion (all funds) an increase of \$16.1 billion or 23.8 percent from the Preliminary Ten-Year Capital Strategy total of \$67.7 billion. NYCHA’s Ten-Year Capital Strategy for Fiscal 2016-2025 totals \$899.3 million primarily for building exteriors and buildings systems upgrades and replacement. NYCHA’s Executive Ten-Year Capital Strategy increased by \$445.6 million as compared to its Preliminary Ten-Year Capital Strategy which totaled \$453.7 million. The \$445.6 million increase is reflected in the “Low to Moderate Income Public Housing Upgrade” category. HPD’s capital projects are divided into two main categories as illustrated by the above chart. These categories and their budgets are discussed below.

NYCHA Fiscal 2016-2025 Ten-Year Capital Strategy

NYCHA FY2016-2025 Executive Ten-Year Capital Strategy											
<i>Dollars in Thousands</i>											
Project Type	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
Low to Moderate Income Public Housing Construction	\$498	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$498
Low to Moderate Income Public Housing Rehab/Reconstruction	308,000	0	0	0	0	0	0	0	0	0	308,000
Low to Moderate Income Public Housing Upgrade	254,512	115,520	115,778	15,000	15,000	15,000	15,000	15,000	15,000	15,000	590,810
Project Type Total by Source of Funds											
Federal	308,000	0	0	0	0	0	0	0	0	0	308,000
City	255,010	115,520	115,778	15,000	15,000	15,000	15,000	15,000	15,000	15,000	591,308
Total (All Funds)	\$563,010	\$115,520	\$115,778	\$15,000	\$899,308						

Source: Office of Management and Budget Executive Ten-Year Capital Strategy Fiscal Years 2016-2025

Low to Moderate Income Public Housing Rehab/Reconstruction. The Authority’s Executive Ten-Year Capital Strategy includes \$308 million in Fiscal 2016 in federal Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to repair developments damaged by Superstorm Sandy. These funds reflect the first two CDBG-DR funding tranches the City received for public housing rehabilitation and resilience.

Low to Moderate Income Public Housing Upgrade. The Authority's Executive Ten-Year Capital Strategy includes \$590.8 million for low to moderate public housing upgrades. Funding for the Public Housing Upgrade category increases by \$245.1 million in Fiscal 2016 when compared to the Preliminary Ten-Year Capital Strategy of \$9.4 million. The \$590.8 million reflected in the Executive Ten-Year Capital Strategy consists of: \$575.7 million in Mayoral funding, \$115.8 million in City Council funds, and \$10.9 million from Borough Presidents. This funding will support the preservation and modernization of building exteriors and systems, including roof work, mold removal, repair and replacement of elevators, hot water heaters, and other construction projects.

Capital Commitment Plan

The Fiscal 2016 Executive Budget Capital Commitment Plan includes \$918.9 million in Fiscal 2015-2019 for NYCHA (including City and Non-City funds). This represents less than one percent of the City's total \$57.4 billion Executive Plan for Fiscal 2015-2019. The Authority's Executive Commitment Plan for Fiscal 2015-2019 is 56 percent greater than the \$590.7 million scheduled in the Preliminary Commitment Plan, an increase of \$328.2 million. The majority of capital projects span multiple fiscal years, and it is, therefore common practice for an agency to roll unspent capital funds into future fiscal years. Therefore, it is assumed that a significant portion of NYCHA's Fiscal 2015 Capital Plan will be rolled into Fiscal 2016, a process which can be seen beginning in the chart below with a draw down in planned spending in 2015 coupled with an increase in 2016.

NYCHA 2015-2019 Capital Commitment Plan						
<i>Dollars in Thousands</i>	2015	2016	2017	2018	2019	Total
Preliminary Plan	\$227,007	\$317,390	\$15,520	\$15,778	\$15,000	\$590,695
Executive Plan	109,607	563,010	115,520	115,778	15,000	918,915
Change	(117,400)	245,620	100,000	100,000	0	328,220
Percentage Change	(52%)	77%	644%	634%	0%	56%

Source: OMB Fiscal 2016 Executive Capital Commitment Plan

Executive Capital Plan Highlights

NYCHA's Fiscal 2015 -2019 Executive Capital Commitment Plan of \$918.9 million includes:

- \$308 million for Sandy related repairs
- \$300 million for roof replacements at various developments;
- \$55.5 million for lighting initiatives at various developments;
- \$29.5 million for instantaneous hot water heaters;
- \$15.4 million for a homeless initiative;
- \$10 million for citywide repairs;
- \$10 million for security enhancements; and other capital projects.

NYCHA's Fiscal 2016 Executive Capital Commitment Plan reflects an increase of \$328.2 million, or 56 percent when compared to the Authority's Fiscal 2016 Preliminary Capital Commitment Plan. Some of the major capital projects included in the Executive Capital Plan for Fiscal 2015-2019 include:

- Roof Replacement Program.** As outlined in the Administration's long-term strategic plan, *One New York: The Plan for a Strong and Just City* (OneNYC), the City will allocate \$100 million per year for the next three years for a roof repair program to address health related hazards in NYCHA developments. The City's first \$100 million will be spent on replacing roofs at 66 buildings housing nearly 13,000 residents that have high numbers of maintenance repair requests such as for leak repairs, painting, and mold remediation. NYCHA estimates that the program will reduce capital needs by \$600 million at these developments.
- Security Initiatives-Lighting.** The Executive Capital Commitment Plan includes \$55.5 million for lighting at various developments. This represents an increase of \$24.5 million for lighting when compared to the Authority's Fiscal 2016 Preliminary Capital Commitment Plan. The increase in funds are for cost over runs.
- City Capital Funded Projects.** As of March 31, 2015 there are 202 City Capital funded projects in NYCHA's portfolio totaling \$157 million, which includes: \$142.8 million from City Council, \$9.8 million in Mayoral Capital funds, and \$4.4 million from Borough President allocations. In addition, some of these projects receive additional funding from Mayoral, State and Federal resources. For the period of January 1, 2015 through March 31, 2015, City Capital funded projects in the Bronx, Brooklyn, and Manhattan receive the largest allocations as indicated by the table below.

Total Funding by Borough	Amount
*In Thousands	
Bronx	\$52,851
Brooklyn	36,855
Manhattan	39,315
Queens	10,640
Staten Island	704
Various	16,411
TOTAL	\$157,026

- Closed Circuit Television System (CCTV).** As per NYCHA's January 1, 2015 through March 31, 2015 Quarterly report, 102 CCTV and security projects are currently in NYCHA's portfolio, including 28 projects in the design phase and 51 completed projects in the final contracting phase.
- Non-Security Projects.** As per NYCHA's January 1, 2015 through March 31, 2015 Quarterly report, 100 non-security projects are currently in NYCHA's project portfolio, with 44 projects currently in the planning and design phase.

Appendix 1: 2015 Adopted Operating Budget (All Funds)

NYCHA 2015 Adopted Operating Budget (All Funds) <i>Dollars in Thousands</i>	2015
Revenues	
Revenues from Operations:	
Tenant Rental Revenue	\$996,820
Other Revenue from Operations	18,160
Total Revenue from Operations	\$1,014,980
Other Revenues	
Federal Subsidies	\$898,785
Debt Service Subsidies	525
Capital Fund Reimbursements	60,949
Interest on Investments	2,049
Other	36,969
Categorical Grants	4,308
Section 8 Housing Assistance Payments	955,385
Section 8 Admin	69,675
Section 8 Admin Reserve	3,758
Section 8 Phased Conversion	49,773
Section 8 Management Fees	0
City Funds	18,600
Total Other Revenues	\$2,100,776
Total Revenues	\$3,115,756
Expenditures	
Personal Service:	
Salary F/T	\$613,149
Salary P/T	1,265
Seasonal	30
Overtime	74,550
Shift Differential	3,346
Retro	907
Fringe	562,029
Other Salary	16,245
Total Personal Service	\$1,271,521
Other Than Personal Service:	
Leases	\$40,576
Supplies	60,741
Equipment	14,726
Utilities	593,180
Contracts	147,612
Debt Services	837
Insurance	51,994
Payment in Lieu of Taxes (PILOT)	33,234
NYPD Subsidy	0
OTPS Other	44,170
Section 8 Housing Assistance Payments	955,354
Total Other Than Personal Expenses	\$1,942,424
Total Expenditures	\$3,213,945
Surplus/(Deficit)	(\$98,189)