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**Report to the Committee on Finance and the
Committee on Public Housing on the Fiscal
2024 Executive Plan and the Fiscal 2024
Executive Capital Commitment Plan for the**

**New York City
Housing Authority**

May 19, 2023

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Table of Contents

New York City Housing Authority (NYCHA)1

Personal Services and Headcount2

Funding Sources.....2

Executive Plan Changes.....3

 New Needs.....4

 Other Adjustments4

 Program to Eliminate the Gap (PEG)4

Fiscal 2024 Preliminary Budget Response5

State and Federal Changes.....6

Capital Plan Overview7

Executive Ten-Year Capital Strategy Fiscal 2024-2033.....9

New York City Housing Authority (NYCHA)

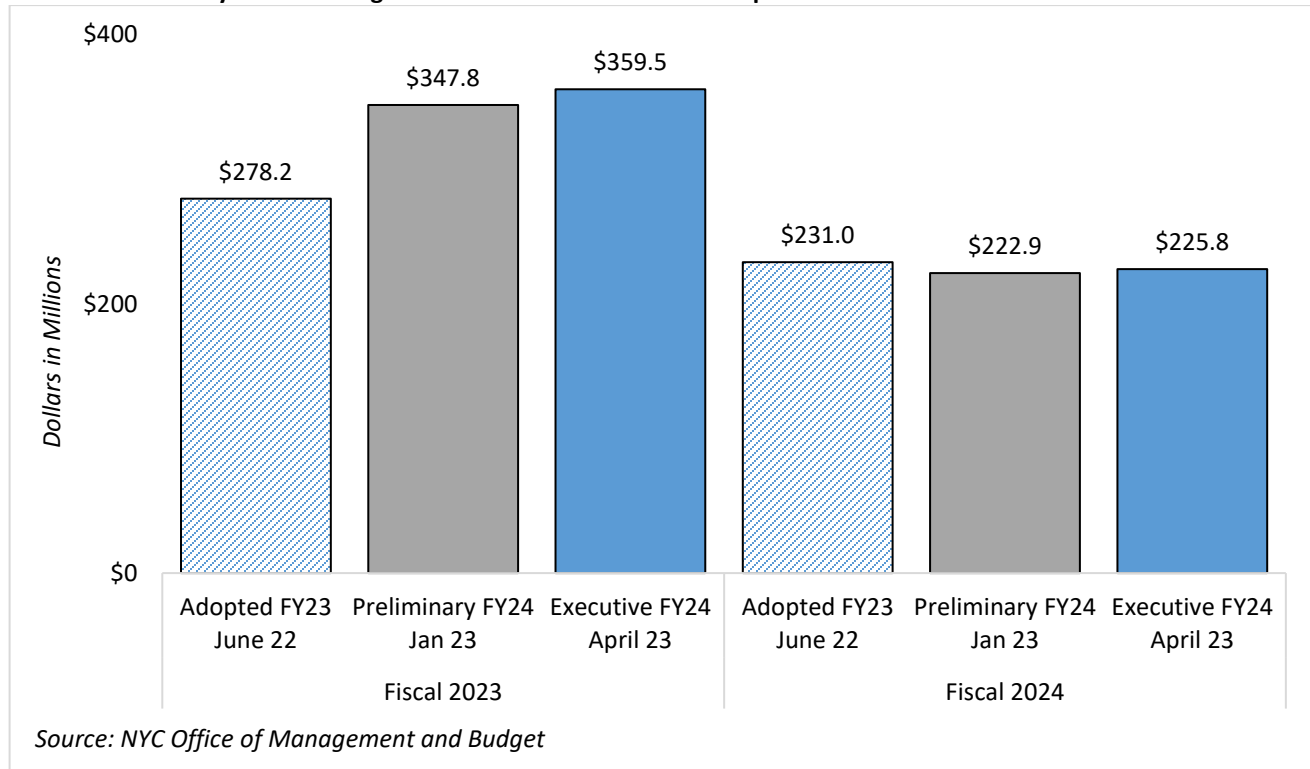
On April 26, 2023, the Administration released the Executive Financial Plan for Fiscal 2023-2027 (Executive Plan) which includes a proposed Fiscal 2024 budget of \$106.7 billion. This report offers a review of the City's Fiscal 2024 Executive Budget for the New York City Housing Authority (NYCHA or the Authority), including proposed budget actions taken in the Executive Plan.

While NYCHA's budget is not part of the City's budget, the City does provide supplemental funding for the Authority. In December 2022, the NYCHA Board approved its five-year Calendar Year (CY) 2023-2027 Operating and Capital Plans (NYCHA's fiscal year follows the calendar year). For additional information on NYCHA's CY 2023-2027 Plans and the City's Fiscal 2024 Preliminary Budget changes, please refer to the Fiscal 2024 Preliminary Budget report at:

<https://council.nyc.gov/budget/wp-content/uploads/sites/54/2023/03/NYCHA.pdf>

NYCHA's total planned expenditures for CY 2023 (NYCHA's current fiscal year, which ends on December 31) are \$4.41 billion with projected revenues of \$4.38 billion, resulting in a \$34.8 million deficit at year-end. After decades of federal underinvestment, NYCHA is in a precarious financial position due to large tenant rent arrears (worsened by the COVID-19 pandemic), increasing utility costs, and heightened pressure to undertake capital renovations, especially under the terms of its agreement with the U.S. Department of Housing and Urban Development (HUD) and U.S. Attorney's Office for the Southern District of New York (HUD/SDNY).

Chart 1: NYCHA City-Funded Budget for Fiscals 2023 and 2024: Comparison of the Last Three Financial Plans



NYCHA's Five-Year Operating Plan includes \$232.5 million of City-funded revenues (or City tax-levy, CTL), 5.3 percent of its total revenues for the year. The City's Fiscal 2024 Budget in the Executive Plan includes \$225.8 million (5.2 percent of NYCHA's total revenues), which is an increase of \$2.9 million from the \$222.9 million (5.1 percent) budgeted in the Fiscal 2024 Preliminary Financial Plan

(Preliminary Plan) presented in January.¹ The increase in the Fiscal 2024 budget is the net of the addition of \$10.6 million for District Council 37 (DC 37) collective bargaining adjustments partially offset by the removal of \$7.9 million in a Program to Eliminate the Gap (PEG) initiative that swaps expense for capital funds for NYCHA's vacant unit readiness program.

NYCHA's current Fiscal 2023 CTL budget of \$359.5 million is \$81.3 million (29.2 percent) larger than the agency's Fiscal 2023 CTL budget at adoption of \$278.2 million, and \$11.7 million (3.4 percent) larger than the budget presented in the Preliminary Plan of \$347.8 million. Chart 1 compares the Fiscal 2023 and 2024 budgets across past plans.

Personal Services and Headcount

Expenditures total \$4.41 billion for NYCHA in CY 2023 and grow to \$5.20 billion by CY 2026. Personal Services (PS) totals \$1.52 billion in Fiscal 2023 and remain at approximately \$1.5 billion throughout the Operating Plan. In Fiscal 2023, full-time salaries are budgeted at \$762.2 million, fringe at \$627.7 million, and overtime at \$100.0 million.

Table 1: NYCHA Budgeted Expenditures					
<i>Dollars in Millions</i>	2022 Budget	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Spending					
Personal Services	\$1,535.5	\$1,523.8	\$1,541.7	\$1,535.9	\$1,532.8
Other Than Personal Services	2,644.0	2,889.4	3,082.3	3,402.5	3,667.5
TOTAL EXPENDITURES	\$4,179.5	\$4,413.2	\$4,624.0	\$4,938.4	\$5,200.3

Source: NYCHA

The Authority's CY 2023 budgeted headcount is 12,212 positions, an increase of 24 positions from CY 2022. Of these, 10,020 positions are in properties and operations, and 2,192 positions are in NYCHA's central office departments.

Actual headcount in December 2022 was 11,343, with 845 vacancies and a 6.9 percent vacancy rate. In April 2023, actual headcount had shrunk by 42 positions to 11,301, leaving 911 vacancies and a 7.5 percent vacancy rate.

As stated in the Preliminary Report, NYCHA's overtime costs are budgeted to increase in the first few years of the Authority's plan period, from \$99.1 million in CY 2022 to \$100 million in CY 2023 and \$114 million in CY 2024 before falling in the outyears. NYCHA's increases in overtime are mainly due to weekend and holiday scheduled work in order to address its work order backlog.

City funds are allocated for NYCHA within HPD's Other Than Personal Services (OTPS) budget. However, the Fiscal 2024 budget in the Executive Plan also reflects 18 baselined positions for NYCHA environmental review and lead abatement that are funded with Community Development Block Grant (CDBG) funds. Since these positions are funded with CDBG funds, there is no change in CTL support for headcount.

Funding Sources

NYCHA's CY 2023 budget of \$4.38 billion is comprised of City funds (\$232.5 million), federal funding (\$2.81 billion, including \$1.60 billion in Section 8), Capital Fund Reimbursements (\$248.6 million),

¹ The difference in timing between the fiscal years (July for the City versus January for NYCHA), and the typical additional of CTL to NYCHA in the City's adopted budget, explains the difference. CTL changes to NYCHA's expense budget are reflected in Unit of Appropriation (U/A) 012 of the Department of Housing Preservation and Development (HPD), which serves as the City's fiscal conduit to NYCHA.

Tenant Rental Revenue (\$850.3 million), and other revenues. Chart 2 illustrates NYCHA's budgeted revenues by funding source. For CY 2023, despite plans to withdraw \$65 million from reserves, NYCHA still anticipates having a \$34.8 million deficit, as presented in Table 2. Tenant arrears are a serious issue for NYCHA. The Authority had over \$454 million in total arrears across over 73,000 households at the end of 2022, up from \$125 million in 2019. NYCHA has reported collecting only 65 percent of the rent charged over a 12-month period.

Chart 2: NYCHA Revenues by Funding Source

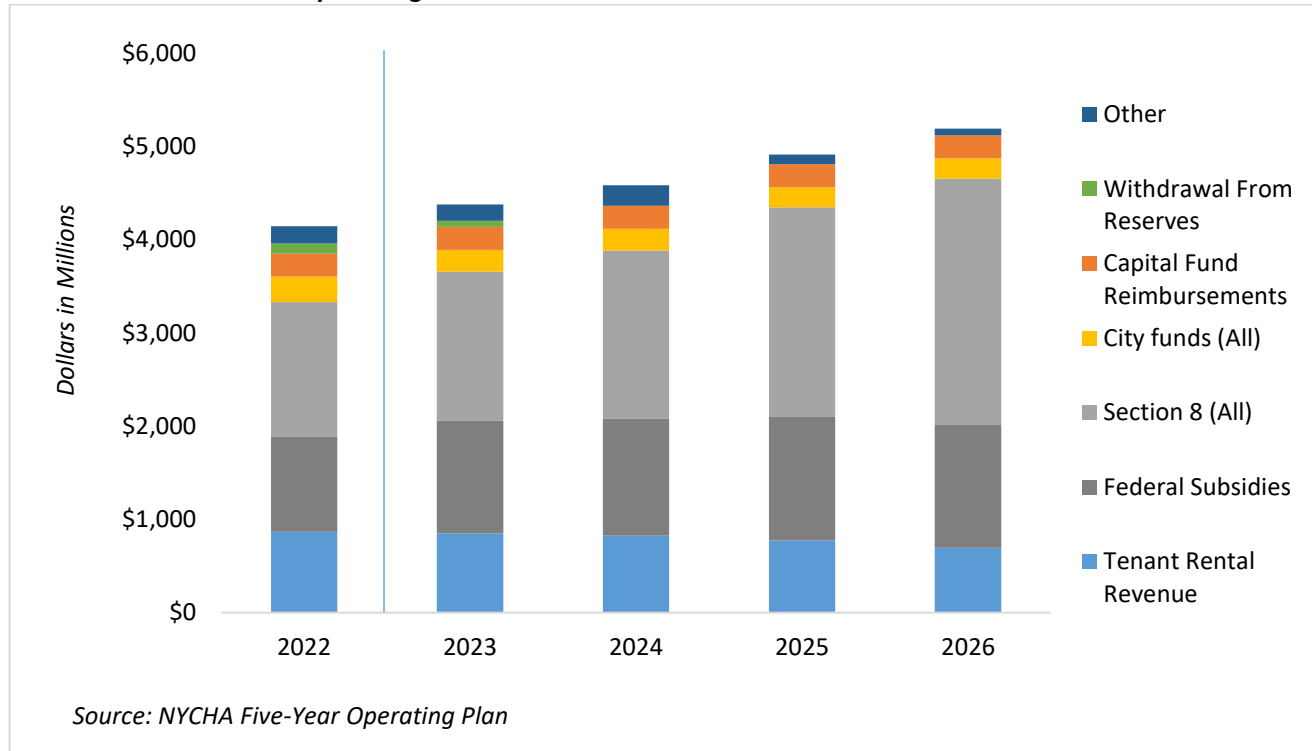


Table 2: NYCHA Funding Sources					
<i>Dollars in Millions</i>	2022 Budget	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Funding					
Tenant Rental Revenue	\$867.1	\$850.3	\$825.8	\$772.9	\$695.8
Federal Subsidies	1,023.4	1,208.5	1,250.6	1,327.0	1,315.5
Section 8 (All)	1438.7	1598.3	1808.0	2244.6	2643.4
City funds (All)	276.1	232.5	231.0	217.4	215.0
Capital Fund Reimbursements	245.0	248.6	248.6	248.6	248.6
Other	184.4	175.1	219.6	101.6	70.6
Withdrawal From Reserves	109.5	65.0	0.0	0.0	0.0
TOTAL REVENUES	\$4,144.1	\$4,378.4	\$4,583.6	\$4,912.2	\$5,189.0
TOTAL EXPENDITURES	\$4,179.4	\$4,413.2	\$4,623.9	\$4,938.4	\$5,200.3
Surplus/(Deficit)	(\$35.3)	(\$34.8)	(\$40.3)	(\$26.2)	(\$11.3)

Source: NYCHA Five-Year Operating Plan

Executive Plan Changes

Each financial plan is comprised of changes to an agency's budget from the prior plan. These changes are comprised of new needs that have not previously been included in the agency's budget, other adjustments to existing spending (these adjustments can involve adding or removing funding), savings programs which provide additional resources either through reduced spending or increased revenue,

and savings restorations which include the restoration of expenditures that had been reduced in prior financial plans. The following changes to NYCHA's budget are reflected in the City's Executive Plan.

New Needs

There are two new needs for NYCHA in the Executive Plan – one within HPD's budget and one within the Department of Information Technology and Telecommunication's (DoITT) budget.

- **NYCHA Smoke Free** (\$453,000 in Fiscal 2023). HPD's Executive Plan recognizes \$453,000 in pass-through City funds to NYCHA for its Smoke Free program. State law requires "Other Tobacco Product" (OTP) tax proceeds to fund NYCHA's smoking cessation program. This budget action reflects the totality of tax collections from those products in Fiscal 2022.
- **Big Apple Connect** (\$3.5 million in Fiscal 2023, \$8.7 million in Fiscal 2024, and \$11.0 million in Fiscal 2025). DoITT's Executive Plan includes additional funding for affordable broadband roll-out under the Big Apple Connect program which was launched in September 2022. The new need is not expected to increase the number of developments connected to the broadband service, but instead assumes an increase in residential uptake from 80 percent to 85 percent.

Big Apple Connect's first phase provided residents of 135 NYCHA sites with access to free broadband and basic cable TV, with a subsequent expansion in March 2023 that made it available to 300,000 residents across 202 sites. Total funding for Big Apple Connect is \$19.2 million in Fiscal 2023, \$35.9 million in Fiscal 2024, and \$38.2 million in Fiscal 2025. Big Apple Connect is the Administration's successor to the prior Administration's Internet Master Plan.

Other Adjustments

HPD's Executive Plan includes two other adjustments for NYCHA.

- **DC 37 Collective Bargaining Agreement** (\$11.4 million in Fiscal 2023, \$10.6 million in Fiscal 2024, \$16.1 million in Fiscal 2025, \$20.6 million in Fiscal 2026, and \$21.6 million in Fiscal 2027). HPD's Executive Plan includes additional funding as a result of the DC 37 collective bargaining agreement, to fund wage increases for NYCHA employees who are members of DC 37. The contract impacts 1,365 active NYCHA employees and 905 NYCHA retirees.
- **Roll for NYCHA Woodside Senior Center** (\$172,000 moved from Fiscal 2023 to Fiscal 2024). The Executive Plan includes a roll of funds into Fiscal 2024 for the cost of replacing furniture at the Woodside Senior Center in Queens, which was flooded during Hurricane Ida.

Program to Eliminate the Gap (PEG)

HPD's Executive Plan includes one savings initiative for NYCHA as part of the citywide PEG:

- **NYCHA Funding Swap** (Swap of \$7.9 million in Fiscals 2024 and 2025, and \$7.8 million in Fiscals 2026 and 2027). This PEG swaps expense funds for the repair and rehabilitation of vacant NYCHA units with capital funding, generating \$31.6 million of City expense savings over the plan period. The swap creates short-term cost savings from a recognition that the scopes of work of units in the vacant unit readiness program are so substantial that the capital budget can be used to fund repairs. It adds long term capital debt service costs. No programmatic impact is expected. More information about the vacant unit readiness program is provided in the Fiscal 2024 Preliminary Budget Response section below.

Fiscal 2024 Preliminary Budget Response

In the City Council's Fiscal 2024 Preliminary Budget Response (Budget Response)² the Council identified several areas of concern relating to public housing. Despite the increased funding for certain areas, there are still essential investments and programs that did not receive additional support in the Executive Plan.

Table 3: FY24 NYCHA Budget Response Items			
#	Response Priorities	Amount Requested	Amount in Exec Budget
1	Increase Investments in Public Housing	\$7,500,000,000 over 5 years	\$3,520,000,000 over 5 years (\$5,030,000,000 including RAD/PACT)
2	Reverse Cuts to Vacant Unit Readiness Program	\$31,000,000	\$0
3	Restore Painter Apprenticeship	\$8,500,000	\$0

- **Increase Investments in Public Housing** (Council proposal: \$7.5 billion over five years in the Capital Commitment Plan). To address the City's housing crisis, the Council called for the budget to align capital commitments with the Mayor's pledge to provide \$4 billion per year for housing preservation and construction (\$2.5 billion at HPD and \$1.5 billion at NYCHA).

There is a multi-billion-dollar gap between the City's existing capital commitments and the original target. Excluding funding from RAD/PACT, NYCHA's dedicated City capital is \$3.52 billion.³ The additional \$1.51 billion of RAD/PACT (in HPD's Plan) increases the total to \$5.03 billion. The Executive Plan is still nearly \$2.5 billion less than the amount the Council called for in the Budget Response.

City capital is used to address NYCHA's critical infrastructure needs, including repairs to roofs, boilers, and elevators; upgrades to plumbing and electrical systems; abatement of lead, mold and pests; and improvements to security and fire safety. NYCHA's estimated overall capital need exceeds \$40 billion.

- **Vacant Unit Readiness Restoration** (Council proposal: \$31 million). The Council called for the restoration of \$31 million in NYCHA PEGs initiated in the Administration's November 2022 Plan. The centerpiece of the PEG was the Vacant Unit Readiness Program, which helps prepare and rehabilitate NYCHA units for turnover to be occupied by New Yorkers through placement from Department of Homeless Services (DHS) shelters, emergency transfers, and NYCHA's general waiting list. The program has a total of \$250 million in City funding across Fiscal 2023 to Fiscal 2027. The program has been challenged by limits to NYCHA's in-house and contracted staff capacity and persistent underspending allowed the Administration to take a multi-year savings without a decrease in current performance levels.⁴

The Council called for the Administration to reinvest the program's underspending rather than take a savings, in order to bolster NYCHA's overall capacity to renovate and make vacant

² The full response is available online at: <http://council.nyc.gov/wp-content/uploads/2023/04/Fiscal-2024-Preliminary-Budget-Response.pdf>.

³ Permanent Affordability Commitment Together (PACT) is NYCHA's name for its federal Rental Assistance Demonstration (RAD) project. RAD/PACT (or simply PACT) funding intends to support the conversion of approximately 62,000 units from traditional Section 9 public housing to Section 8 rental assistance vouchers by the end of 2026.

⁴ NYCHA primarily uses vendors to complete turnover work under the Vacant Unit Readiness Program. As needed, NYCHA staff is also used to supplement and perform work. NYCHA has 12 dedicated supervisors who inspect and oversee the vendors.

apartments habitable. In addition to providing more permanent housing to homeless people and others in need of affordable housing, reinvesting in the program would likely generate savings from reduced homeless shelter costs.

In response, the Administration's Fiscal 2024 Executive Budget includes a swap of the funding to the capital budget, in reflection of the larger scope of remediation work and longer project timelines. There was no net change in the budget.

According to NYCHA's own data, the number of vacant apartments increased from 490 in December 2021 to over 3,300 in December 2022. In the middle of a housing crisis, the City cannot afford under-investment in assuring the habitability of existing affordable housing.

- **Restore Painter Apprenticeship** (Council proposal: \$8.5 million). In Fiscal 2017, the City Council secured funding to create a civil service apprenticeship program within NYCHA. The program, which was funded for three years at \$8.5 million per year, provided training for over 100 NYCHA residents in the painting trades. Partnerships such as this offer public housing residents the opportunity to get job training and secure a pathway to the middle class.

The Council called upon the Administration to provide \$8.5 million in Fiscal 2024 to restore the painter apprenticeship program at NYCHA. However, the Executive Plan did not include any funding for the apprenticeship.

State and Federal Changes

State Enacted Budget. During the State budget process, NYCHA requested that the State provide an additional \$330 million in funding for New York State's Emergency Rental Assistance Program (ERAP). NYCHA households with ERAP applications pending have amassed more than \$240 million in arrears, however the State gave public housing residents like those in NYCHA the lowest priority for ERAP funds. The Council's 2023 Response to the State Budget echoed this call for \$330 million in ERAP for NYCHA.⁵

The Council further called for \$600 million annually in additional State capital funding for NYCHA, which would bring State contributions up to the City's five-year total of approximately \$3.5 billion.

In response, the Enacted State Budget for Fiscal 2024 included \$391 million to support ERAP applications across the State that were submitted through January 30, 2023 (when the application closed). Of this, \$35 million was earmarked specifically for NYCHA rental arrears. Among the \$356 million remaining, it will be divided Statewide among public housing authorities (including NYCHA) and subsidized housing tenants (i.e. Section 8). Although applications must be fully reviewed, it is estimated that NYCHA will receive \$128 million from this larger pot of available funding, bringing NYCHA's total funding to approximately \$163 million.

The State Budget also includes a \$250 million appropriation that allows the State to spend any additional federal funds that may flow in for the ERAP program. The actual amount will be dependent upon federal reallocations.

Finally, the State budget included \$135 million in new capital funding for NYCHA. NYCHA's Fiscal 2023-2027 Capital Plan included \$538 million in re-appropriated State capital funds.

⁵ New York City Council State Budget Priorities 2023, available online at: <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2023/03/2023-State-Budget-Agenda.pdf>

The estimated \$163 million (or more) in ERAP support, and \$135 million new capital funds, represent meaningful but inadequate improvements in State funding for NYCHA.

Federal Funding and Risks. At the federal level, rising interest rates and the failure and subsequent bail out of major commercial lending banks like Signature Bank (the third-largest ever bank failure in U.S. history) continue to reverberate. Both the PACT and Preservation Trust models, which aim to renovate and improve NYCHA buildings, rely on leveraging private financing for equity. Especially in light of the growing rental arrears issue, NYCHA developments may look less attractive to potential developers and investors. Delays in implementing the Trust or PACT risks further deterioration of NYCHA's housing stock and may require further City subsidies, particularly to meet the requirements of the HUD/SDNY monitor agreement.⁶

Additionally, the change in partisan control of Congress may impact the total appropriation for Section 8 vouchers, including the Tenant Protection Vouchers (TPVs) which are essential to the operation of the Preservation Trust. The Independent Budget Office (IBO) estimates NYCHA will need \$500 million in TPVs over the Trust's implementation to support the transfer of the currently approved maximum of 25,000 units to the Trust.⁷ The federal omnibus bill passed in December 2022 included a total of \$337 million for TPVs.

In response to questions about TPVs in the Fiscal 2024 Preliminary Budget Hearing, NYCHA expressed no concerns about the level of TPVs, adding that they have not yet selected properties for the Trust and are hopeful about lining up appropriate financing.

Finally, the debt ceiling standoff in Congress could destabilize the financial markets that prospective NYCHA property developers rely on to access financing. Even if the markets are stable, the partisan debt ceiling standoff may result in reduced Congressional spending on public housing or Section 8.

Capital Plan Overview

On April 26, 2023, Mayor Eric Adams released the Executive Capital Commitment Plan for Fiscal 2023-2027 (the Commitment Plan) and the Fiscal 2024-2033 Ten-Year Capital Strategy (the Strategy).

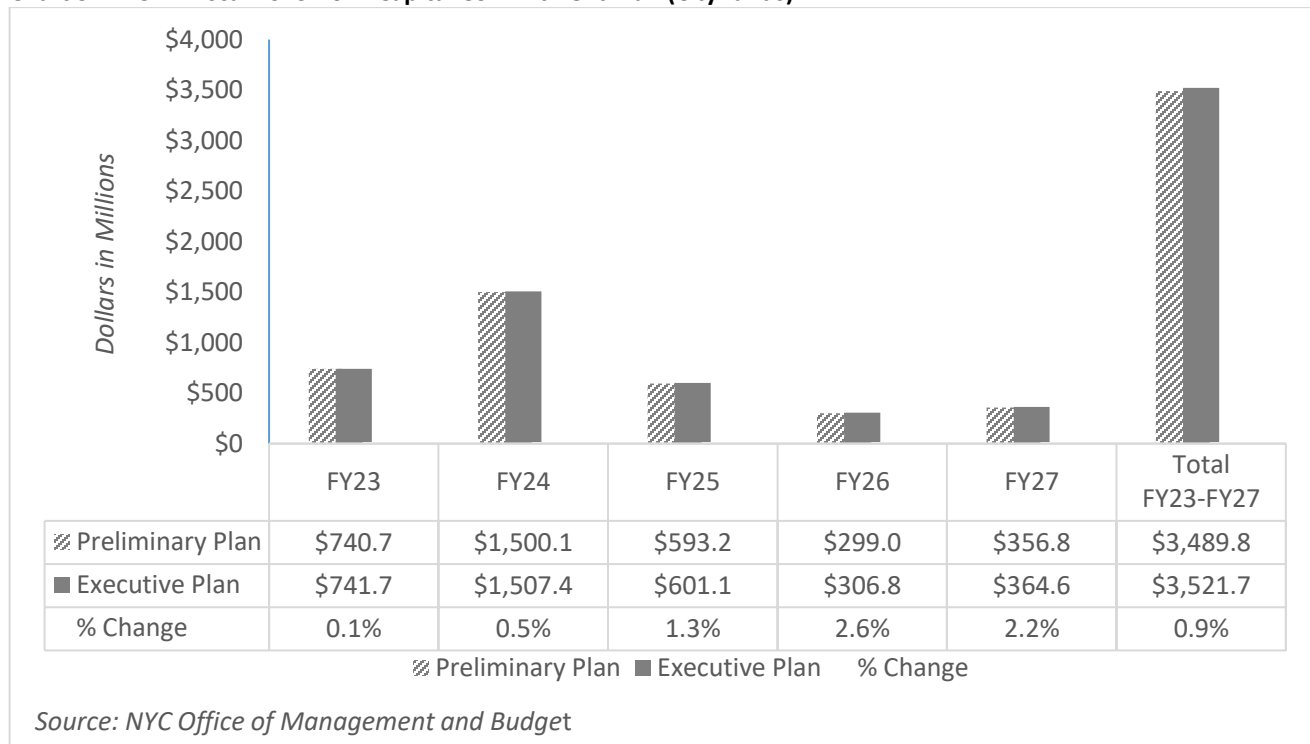
This section will provide an overview of the City's Executive Commitment Plan and Strategy for NYCHA.

Fiscal 2023-2027 Capital Commitment Plan

The Fiscal 2024 Executive Capital Commitment Plan includes \$3.49 billion in Fiscal 2023-2027 for NYCHA (City funds only), representing 3.6 percent of the City's total \$97.9 billion Executive Capital Commitment Plan for Fiscal 2023-2027. Total funding increases by one percent, or \$31.8 million, when compared to the Preliminary Capital Commitment Plan. The major action is the reflection of \$31.6 million from the expense-to-capital swap for the vacant unit readiness program.

⁶ NYC Independent Budget Office, "Modest Economic Recovery, With Persistent Budget Challenges," p. 10, May 15, 2023, available online at: <https://www.ibo.nyc.ny.us/iboreports/modest-economic-recovery-with-persistent-budget-challenges-may-2023.pdf>.

⁷ Alec Goodwin, New York City Independent Budget Office, "Fiscal Brief: Money For NYCHA? Examining the Public Housing Preservation Trust & Other Strategies in NYCHA's Blueprint for Change," February 2023, available online at: <https://www.ibo.nyc.ny.us/iboreports/money-for-nycha-examining-the-public-housing-preservation-trust-and-other-strategies-in-nychas-blueprint-for-change-february-2023.pdf>.

Chart 3: NYCHA Fiscal 2023-2027 Capital Commitment Plan (City funds)

The amount of commitments planned for each year of the plan period is not uniform and is concentrated in Fiscal 2024. The annual planned commitments range from \$741.7 million in Fiscal 2023 to \$1.51 billion in Fiscal 2024, \$601.1 million in Fiscal 2025, \$306.8 million in Fiscal 2026, and \$364.6 million in Fiscal 2027.

Unlike many other agencies, NYCHA's City-funded Executive Capital Commitment Plan does not roll large amounts of uncommitted spending from Fiscal 2023, but instead increases in-year commitments by \$959,000, to \$741.7 million. Reflecting the vacant unit readiness swap, capital funding increases slightly in the outyears.

- **Vacant Unit Readiness Swap** (\$31.6 million between Fiscal 2024 and 2027). As previously discussed in the PEG section, the Executive Plan includes a swap of expense for capital funds within NYCHA's vacant unit readiness program, with \$7.9 million added in Fiscals 2024 and 2025, and \$7.8 million added in Fiscals 2026 and 2027.
- **RAD/PACT Conversions Roll.** Presented within HPD's Executive Capital Commitment Plan is funding for PACT conversions. Fiscal 2023 commitments are reduced by \$568 million to \$100 million, with funding rolled into Fiscals 2024 and 2025. The total for PACT conversions in HPD's Executive Commitment Plan is unchanged from the Preliminary Commitment Plan, at \$1.51 billion.⁸

In January 2023, three NYCHA developments closed on their PACT conversions: Audubon, Bethune Gardens, and Marshall Plaza. These were the first three of the nine closings originally anticipated for Fiscal 2023. The Executive Commitment Plan rolls funding into the next two years to more accurately reflect when more PACT bundles might actually close.

⁸ PACT funding intends to support the conversion of approximately 62,000 units from traditional Section 9 public housing to Section 8 rental assistance vouchers by the end of 2026.

When adding together the \$1.51 billion for PACT (in HPD's Plan) with the dedicated \$3.52 billion for NYCHA, the five-year total capital commitment of \$5.03 billion is 67.1 percent of the \$1.5 billion per year pledged for NYCHA by the Mayor as a candidate (\$7.5 billion over five years). When excluding PACT, the dedicated NYCHA capital is 46.9 percent of the previously pledged commitment.

Although not presented in the Fiscal 2024 Executive Commitment Plan, the Enacted Fiscal 2024 State budget included \$135 million in new capital appropriations for NYCHA. The new appropriations will be reflected in future NYCHA Operating and Capital Plans.

Executive Ten-Year Capital Strategy Fiscal 2024-2033

The Ten-Year Strategy is the City's long term capital planning document which provides a framework for capital spending by agency. The Strategy is released every two years as mandated by the City Charter.

The City's Ten-Year Strategy totals \$164.8 billion (all funds). The Strategy provides information on the comprehensive infrastructure planning that the City undertakes and explains the connection between capital investment and strategic priorities. It is designed to help prioritize investment decisions across all capital agencies and communicate to the public an integrated approach to capital planning across infrastructure types, in line with the growth of the City.

NYCHA's Executive Ten-Year Strategy totals \$4.39 billion, which is \$30.9 million more than the Preliminary Strategy of \$4.36 billion. The Strategy is front-loaded, with greater funding in the first two years of the plan period and less in the outyears (see Chart 4). A portion of the funding in the early years of the Ten-Year Capital Strategy is expected to roll out into future fiscal years, as only a portion of planned commitments are usually committed each year.

Chart 4 also presents the breakout of funding in each year of the Executive Strategy between public housing upgrades and public housing construction. The ten-year total for upgrades is \$4.18 billion, while construction totals \$212.9 million.

Chart 4: NYCHA FY24 Preliminary vs. Executive Ten-Year Capital Strategy

Dollars in Millions

