

Testimony from NYCHA's Interim Chief Executive Officer Lisa Bova-Hiatt
Executive Budget Hearing – Public Housing
Committee on Public Housing with the Committee on Finance
Friday, May 19, 2023 – 12:30 p.m.
New York City Hall Council Chambers

Chairs Alexa Avilés and Justin Brannan, members of the Committees on Public Housing and Finance, other distinguished members of the City Council, NYCHA residents, community advocates, and members of the public: good afternoon. I am Lisa Bova-Hiatt, NYCHA's Interim Chief Executive Officer. I am pleased to be joined by Chief Operating Officer Eva Trimble, Executive Vice President of Finance and Chief Financial Officer Annika Lescott-Martinez, Senior Vice President for Capital Programs Joy Sinderbrand, and other members of NYCHA's team. Thank you for this opportunity to provide updates on NYCHA's fiscal outlook for 2023, as well as our work to transform our organization and improve residents' quality of life.

First, I'd like to commend the hardworking members of our Finance team – for the 19th year in a row, NYCHA was recognized for excellence in financial reporting by the Government Finance Officers Association of the United States and Canada.

Updates on the Emergency Rental Assistance Program and other City and State Funding

Making the best use of the limited funding available to improve living conditions for NYCHA residents is at the forefront of our mission. As we discussed with the Council in March during the preliminary budget hearing, growing rent arrears – which have risen sharply since the start of the pandemic – have made NYCHA's fiscal predicament more dire. Rent payments are one-third of NYCHA's operating budget, funding that's vital to the efforts to repair and maintain NYCHA developments. This is an especially critical situation considering that our aging buildings already suffer from more than \$40 billion in major capital needs, the result of decades of federal disinvestment.

However, thanks to the commitment of partners like Governor Hochul, the State legislature, and Mayor Adams to the well-being of public housing residents and the future of this agency, NYCHA residents will be receiving up to \$163 million to cover a portion of the arrears accumulated during the pandemic.

Additionally, the State budget has allocated \$135 million to NYCHA for capital projects and other improvements. And we were allocated \$387 million in expense funds and \$841 million in capital funds, including funding for our PACT program, from the City this year (City Fiscal Year 2023) through the Executive Plan.

We are incredibly grateful for this support, which will go a long way in stabilizing the Authority's finances and enabling the repairs that residents deserve.

Federal Funding Updates and Outlook

In terms of federal funding, based on preliminary information, we expect that we will receive more operating funding than initially anticipated in our budget. This will help to close our \$35 million deficit for 2023. We received a \$752 million federal capital grant, \$43 million more than last year. We appreciate the efforts of New York's Congressional Delegation to raise awareness about the imperative to provide funding for public housing.

NYCHA's Section 8 program is sufficiently funded. NYCHA applied for 377 HUD "stability" vouchers. Administered in partnership with the NYC Continuum of Care, these vouchers provide vital assistance to the city's most vulnerable families, including those experiencing or at risk of homelessness.

Our outlook regarding expenses has not changed. We continue to make strategic investments with the limited funding available to address the mandates of the HUD Agreement and improve living conditions for residents.

I must stress that NYCHA's finances are still precarious. We are only collecting about 63 percent of the rent owed and, as of April 2023, rental arrears currently stand at over \$500 million, several times greater than they were in 2019 and well beyond the ERAP funding NYCHA residents will receive. Additionally, NYCHA has had to draw on reserves to fulfill its obligations to residents, and there is currently less than one month of reserves remaining (and HUD recommends three to four months of operating reserves).

For these reasons, we continue to advocate for additional funding beyond ERAP to help address the shortfalls in our operating budget. We are developing a plan to restart the approximately 70

capital projects that we paused as a result of our operating budget constraints. We are also developing a plan to remediate delays in façade inspections and repairs required between 2020 and 2025 by DOB's Façade Inspection Safety Program, for which we have faced funding shortages in both our operating and capital budgets. We want to first secure additional funding before finalizing these plans to restart the paused projects and expedite our façade inspections and repairs, based on a complete view of our budget situation.

It should be noted that it would cost over \$3 billion for NYCHA to address all the façade repair needs across its portfolio. Additionally, each five-year cycle of required façade inspections costs between \$150 and \$200 million (excluding the cost of any shed installation and maintenance). In most cases, federal funding must be used for this work. In the past five years, NYCHA has invested more than \$137 million in façade repairs and spent about \$82 million on sidewalk sheds and associated costs.

Transforming NYCHA and Residents' Quality of Life

During our conversation with the Council at the preliminary budget hearing, we discussed a range of efforts underway to become a better landlord for residents and strengthen this vital institution so that it can continue providing affordable housing to future generations of New Yorkers.

These efforts include housing preservation initiatives such as PACT, the Public Housing Preservation Trust, and Comprehensive Modernization, which will bring revitalized homes and improved building services – from elevators to heating – to residents. We are also focused on improving the way we operate, bringing faster and more efficient repairs through Transformation Plan initiatives such as Work Order Reform and the Neighborhood Model.

We are making progress with these initiatives, and we are happy to answer any questions about our work that you may have. Thank you for your partnership in our shared mission of service.