

THE COUNCIL OF THE CITY OF NEW YORK

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Report on the Fiscal 2017 Executive Budget New York City Housing Authority May 19, 2016

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Executive Budget Summary

- **Operating Budget Deficit Closed.** A reforecasted 2016 Operating Budget for the New York City Housing Authority (NYCHA or the Authority) projects an overall surplus of \$8 million for the first quarter in 2016, an increase of approximately \$23 million from the \$15 million deficit originally projected in the first quarter of the 2016 Adopted Operating Budget.
- **Operating Plan Revenue Decline.** NYCHA's total revenues for the first quarter in 2016 are approximately \$801.5 million, a decrease of about \$29 million from the \$830 million originally projected. The vast majority of these revenues come from three non-City sources: tenant rental payments, Section 8 Housing Choice Vouchers, and federal operating subsidies, each accounting for around 30 percent of total revenues. All other revenue, which includes City funds, estimated to be about \$54 million in 2016 makes up slightly less than seven percent of the Authority's revenue. These funds represent a decrease of about \$53 million originally projected in the first quarter of the 2016 Adopted Operating Budget due to City-funded initiatives that are not yet baselined in NYCHA's 2016 Operating Budget.
- **Headcount Reductions.** The Authority's 2016 Adopted Operating Plan supports a workforce of 11,025 positions, comprised of about 2,500 administrative staff and 8,500 frontline staff, such as maintenance workers, caretakers, and skilled trade persons that provide essential services. In the first quarter of 2016, the number of budgeted positions declined by 101 positions to 10,951 positions.
- **Financial Impact of NextGeneration NYCHA.** In May 2015, the Authority recently launched *NextGeneration NYCHA*, a ten-year strategic action plan that introduced several new initiatives intended to generate operating funds, reduce operating costs and structural deficits, pursue development opportunities, and improve social service delivery and other core services. The Authority estimates that without these deficit closing strategies, the Operating deficit would grow to \$236 million by Fiscal 2020. These strategies are estimated to eliminate the Operating deficit by Fiscal 2020.
- **Reforecasted 2016 Budget Changes.** Actual spending and revenues in the first quarter 2016 Operating Budget reflect several changes from budgeted figures in the current fiscal year. These changes include:
 - \$48 million decrease in fringe benefits;
 - \$18 million in decrease in Other than Personal Services (OTPS) contracts;
 - \$17 million increase in Federal operating and Section 8 subsidies; and
 - \$7 million in additional tenant revenue.
- **City Capital Budget.** The Fiscal 2017 Executive Capital Commitment Plan totals \$784.4 million in Fiscal 2016-2020 for NYCHA, comprised of \$718.1 million in City funds and \$66.3 million in federal Community Development Block Grant Disaster Recovery (CDBG-DR) funds. The City Capital Commitment of \$718.1 million includes: \$580.6 million in Mayoral allocations, \$118.2 million in City Council funds, and \$19.3 million from Borough Presidents. NYCHA's Executive Commitment Plan for Fiscal 2016-2020 is \$26.8 million greater than the \$691.3 million scheduled in the Preliminary Capital Commitment Plan.

NYCHA Overview

This report highlights changes in the Authority's 2016 budget assumptions since the adoption of the Fiscal 2016-2020 Operating Plan in December 2015. The section below provides an overview of NYCHA's budget and how it has changed in 2016, followed by a review of the significant budget actions introduced in NYCHA's reforecasted 2016 Operating Budget. The report then discusses City allocations to NYCHA reflected in the Fiscal 2017 Executive Budget, and a review of Federal budget actions. An analysis of the Authority's Fiscal 2016-2020 Executive Capital Commitment Plan follow the discussion of the Expense Budget. For additional information on the Authority's budget and its various programs, please refer to the Fiscal 2017 Preliminary Budget Report for NYCHA accessible at: <http://council.nyc.gov/html/budget/2017/pre/NYCHA.pdf>

| NYCHA 2016 Reforecasted Operating Budget (All Funds) <i>*In Millions</i> | 2016 Adopted Budget | 1st Quarter Budget | | 2016 Reforecast Variance |
|-----------------------------------------------------------------------------|---------------------|--------------------|---------------|--------------------------|
| | | Budget | Actuals | |
| Revenues | | | | |
| Tenant Revenue | | | | |
| Tenant Revenue | \$997 | \$249 | \$257 | \$7 |
| Operating Subsidy | 910 | 228 | 239 | 11 |
| Section 8 HAP Subsidy | 983 | 246 | 252 | 6 |
| Other Revenue | 430 | 107 | 54 | (53) |
| Total Revenues | \$3,319 | \$830 | \$801 | (\$28) |
| Expenditures | | | | |
| <i>Personal Services</i> | | | | |
| Salary FT | \$630 | \$157 | \$158 | (\$1) |
| Overtime | 67 | 17 | 26 | (9) |
| Fringe | 727 | 182 | 134 | 48 |
| Other | 21 | 5 | 9 | (4) |
| PS Total | \$1,445 | \$361 | \$327 | \$34 |
| <i>Other Than Personal Service</i> | | | | |
| Contracts | \$162 | \$41 | \$22 | \$19 |
| Utilities | 600 | 150 | 164 | (14) |
| Other | 211 | 53 | 46 | 7 |
| Section 8 HAP Payments | 961 | 240 | 234 | 6 |
| OTPS Total | \$1,935 | \$484 | \$466 | \$17 |
| Total Expenses | \$3,380 | \$845 | \$794 | \$51 |
| 2016 Reforecasted Surplus/(Deficit) | (\$60) | (\$15) | \$8 | \$23 |
| Headcount | 11,052 | 11,052 | 10,951 | (101) |

**The difference of 2016 First Quarter Budget compared to 2016 First Quarter Actuals.*

NYCHA's budget is not part of the City's budget and NYCHA's fiscal year follows the calendar year. On December 23, 2015, the NYCHA board approved the 2016-2020 Operating and Capital Plans, which for 2016 projected an overall deficit of \$60 million, including a General Fund deficit of \$31 million, a \$9 million surplus in Categorical grants (comprised of mostly City funds), and a Section 8 Housing Choice Voucher (Section 8) program deficit of \$38 million. Since then, several initiatives have impacted the Authority's budget for the current fiscal year. For 2016, these include \$34 million in operational savings from Personal Services (PS) expenses, \$17 million in additional revenue from federal operating and Section 8 subsidies, and \$7 million in additional revenue from tenant revenue.

NYCHA's total revenues for the first quarter of 2016, ending in March 31, 2016 are approximately \$801 million, or about \$28 million less than the \$830 million originally budgeted. About \$257 million, or about 32 percent of NYCHA's Fiscal 2016 budget is comprised of tenant rental revenue. Revenue from the Section 8 program accounts for approximately \$252 million, or 31 percent of NYCHA's total revenue in the first quarter of 2016. Federal operating subsidies account for 30 percent of the Authority's operating revenues or \$239 million in 2016. Total other revenues, which includes City funds, are approximately \$54 million, or about \$53 million less than the \$107 million originally budgeted in 2016.

NYCHA's total expenditures for the first quarter of 2016, ending in March 31, 2016 are approximately \$794 million, or about \$51 million less than the \$845 million originally projected. This variance is primarily attributable to \$48 million in savings from fringe benefits, resulting from the integration of 56 staff into City agencies. Major line item expenses for the Authority include \$327 million in PS costs, which include full-time and part-time salaries, seasonal employee salaries and overtime pay. Section 8 Housing Assistance Payments (HAP) account for \$234 million, or 29 percent of the total expenditures for the first quarter of 2016. Utilities payments account for 21 percent, or \$164 million in 2016. Total other expenditures, which include insurance payments total approximately \$46 million in 2016.

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 property management service delivery. The key actions in *NextGeneration NYCHA* that will impact NYCHA's Operating Budget in the first quarter of 2016 and in the outyears include:

- **Rent Collection.** In 2016, about \$997 million, or 32 percent, of NYCHA's operating budget is comprised of tenant rental revenue. However, historically NYCHA's rent and fee collection rate was around 74 percent, which amplifies the current operating deficit. As a component of *Next Generation*, NYCHA is employing several strategies and changing internal procedures in order to improve collection rates, including robocalls and piloting the use of mobile devices for rent collection. For the first quarter of 2016, 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. This resulted in \$7 million in additional tenant revenue for the Authority. Over the long-term, these policy changes are expected to result in \$30 million in annual operating revenue by Fiscal 2020.
- **Headcount Reductions.** Over the ten-year period from 2006 to 2015, NYCHA headcount dropped by 1,611 positions, or by approximately 14 percent, from 12,703 positions in 2006 to 11,092 positions in 2015. Over the same period of time, annual expenses have increased by \$676 million, or by approximately 27 percent, from \$2.5 billion in 2006 to \$3.2 billion in 2015. As such, NYCHA's budget in the first quarter of 2016 reflects strategies to cut expenses, including: decreasing the size of its central office workforce through attrition; and the integration of some operations and positions within NYCHA into other City agencies. In the first quarter of 2016, the number of budgeted positions declines by 101 positions, from 11,052 to 10,951 positions. This action is estimated to result in \$14 million in savings in personnel costs. The current financial headcount plan is being evaluated and NYCHA will

continue to pursue strategies to integrate 20 positions into other divisions within NYCHA as well as transfer staff members into other City agencies.

- **NextGeneration NYCHA Sustainability Agenda.** In April 2016, NYCHA launched a Sustainability Agenda focused on implementing strategies that promote environmental health, green building and operations, and climate change adaptation and resiliency. NYCHA will employ a two-prong strategy to finance the strategies outlined in the Sustainability agenda, which include: attracting \$300 million in private capital to fund large-scale retrofits; pursuing small-scale energy-efficiency incentive programs; and generating revenue through various energy projects, including solar panels and microgrids. The sustainability agenda is a central strategy of *NextGeneration NYCHA* and is comprised of 17 targeted strategies, to achieve the following goals by 2025:
 - Eliminate overheating and unplanned heat and hot water outages;
 - Meet emissions reduction targets to comply with the City's goal of reducing greenhouse gases by 80 percent by 2050;
 - Address climate adaptation and resiliency in all capital planning; and
 - Incorporate sustainability into day-to-day management of all properties.
- **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 is coordinating with the New York City Department of Housing Preservation and Development (HPD) to solicit request for proposals (RFPs) for on-site development. As part of the development strategy, NYCHA will develop 17,000 new affordable housing units on underutilized land, such as empty lots and parking lots, within NYCHA developments. In June 2015, NYCHA and HPD released RFPs for the 100 percent affordable housing program at the first three developments, which include Millbrook, Van Dyke, and Ingersoll Houses. As of May 2016, the City has selected three private development firms to develop 489 units of affordable housing at Millbrook, Van Dyke, and Ingersoll Houses. The units will be affordable to individuals earning up to \$38,100 annually and about 60 percent, or 300 units, will be dedicated to senior residents. The agreements between NYCHA and the developers are expected to be finalized by the end of 2016, with construction expected to start next year and last about two years. In total, about 50 sites are slated for the 100 percent affordable housing program, which are projected to provide \$100 to \$200 million in operating revenue for the Authority over a 10-year period.
- **Expand Affordable and Market-Rate Housing at NYCHA.** In addition to the 100 percent affordable housing program, NYCHA and the Administration are pursuing the development of half-market rate, half-affordable housing units through the 50/50 development program at Wyckoff Gardens in Boerum Hill and Holmes Towers on the Upper East Side. In total, NYCHA estimates that the 50/50 development program could encompass 30 sites and generate \$300 to \$600 million in operating revenue over a 10-year period, which would be dedicated to improvement projects in the adjacent development and to ensuring the Authority's financial sustainability. The community engagement process is ongoing at the 50/50 development sites; an RFP is expected to be released in the Summer of 2016.
- **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 access to funding streams like tax credits which are not traditionally available to public housing projects. NYCHA estimates the 24 buildings and nearly 1,400 apartments at Ocean Bay Apartments - Bayside need about \$174 million in major improvements and upgrades over the next 20 years, such as kitchen and bathroom modernizations, roof replacement, boiler replacements and safety upgrades. NYCHA is currently reviewing developer proposals and is expected to select a development partner by June 2016. The agreements between NYCHA and selected developers are expected to be finalized by the end of 2016. Once converted, the RAD units are projected to provide \$66 million in operating revenues and reduce capital needs by \$87 million over a 10-year period.

City-Funded Initiatives

The City's Fiscal 2017 Executive Budget provides an outlay of \$75.9 million in City funds for the Fiscal 2016-2020 period for ongoing operating costs and other core services at NYCHA. In Fiscal 2017, the Executive Budget adds \$29.8 million in Fiscal 2016 and \$88.7 million in Fiscal 2017 to fund several initiatives to perform mandated façade repairs at NYCHA developments, provide for the continuation of social services for seniors, improve public safety and infrastructure, and funds for collective bargaining agreements. (See Appendix 4 for a list of all budget actions in Fiscal 2017). The key actions in the Fiscal 2017 Executive Budget include:

| NYCHA Additions in the City's FY2017 Executive Budget Operating Funds (FY2016-FY2020) * Dollars in Thousands | Agency | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | Five-Year Total |
|--------------------------------------------------------------------------------------------------------------------|--------|------------------|-----------------|-----------------|----------------|----------------|--------------------|
| <i>New Needs</i> | | | | | | | |
| NYCHA Façade Repairs--necessitated by Local Law 11 compliance | HPD | \$0 | \$49,633 | \$23,244 | \$0 | \$0 | \$72,877 |
| NYCHA Senior Centers | Misc | 0 | 3,000 | 0 | 0 | 0 | 3,000 |
| <i>subtotal</i> | | \$0 | \$52,633 | \$23,244 | \$0 | \$0 | \$75,877 |
| <i>Adjustments</i> | | | | | | | |
| State funds for the NYCHA-MOCJ MOU at MAP developments | NYPD | \$9,000 | \$0 | \$0 | \$0 | \$0 | \$9,000 |
| State funds for the NYCHA-MOCJ MOU at MAP developments | HPD | 20,847 | 0 | 0 | 0 | 0 | 20,847 |
| FY16 NYCHA Roll | Misc | (11,154) | 11,154 | 0 | 0 | 0 | 0 |
| NYCHA Façade Roll | HPD | (19,938) | 19,938 | 0 | 0 | 0 | 0 |
| NYCHA Savings | Misc | (1,157) | 0 | 0 | 0 | 0 | (1,157) |
| NYCHA Adjustment | Misc | (3,881) | 0 | 0 | 0 | 0 | (3,881) |
| NYCHA Baseline Adjustment | Misc | 0 | (8) | (8) | (111) | (3,016) | (3,142) |
| NYCHA Collective Bargaining Adjustment | Misc | 2,106 | 4,989 | 5,253 | 5,253 | 5,253 | 22,854 |
| NYCHAH2O | DCAS | 7 | 0 | 0 | 0 | 0 | 7 |
| <i>subtotal</i> | | (\$4,169) | \$36,073 | \$5,246 | \$5,143 | \$2,237 | \$44,529 |
| Total | | (\$4,169) | \$88,706 | \$28,490 | \$5,143 | \$2,237 | \$120,407 |

- NYCHA Façade Repairs.** A total of \$49.6 million in City funds are added in Fiscal 2017 and \$23.2 million in Fiscal 2018 to support mandated building façade repairs under Local Law 11 of 1998 at 259 buildings within 31 developments at NYCHA. While the funding is in HPD's budget, they are largely managed by NYCHA. Local Law 11 mandates that owners of buildings greater than six stories have their buildings' exterior walls inspected once every five years and file a technical report to the Department of Buildings (DOB). The report details whether a certified architect or engineer found potentially dangerous deterioration on a building's exterior faces, and in the event deterioration is found, recommendations are outlined and building owners are required to schedule the necessary work in a timely

manner. The current inspection cycle (Cycle 8) for Local Law 11 runs from February 21, 2015 through February 21, 2020. An August 2015 report by a DOB Inspector General found that hundreds of NYCHA building exteriors were classified as unsafe. However, the scope of this work does not entirely meet the requirements of Directive 10, and the City is therefore providing NYCHA with expense funding from Fiscal 2016 to 2018 to complete the work. In addition, about \$20 million is rolled in the Fiscal 2017 Executive Budget from Fiscal 2016 to Fiscal 2017 to support continued façade work; the Preliminary 2017 Budget also provided \$49.6 million to HPD for façade repairs, the construction of emergency sheds and funding for two full-time HPD staff to manage the contracts on behalf of NYCHA. An additional \$85 million is allocated in the Fiscal 2016-2020 Executive Capital Commitment Plan for building façade repair work. In total, the existing scope of building façade repair work encompasses 259 buildings at 31 developments and is estimated to cost about \$205 million through Fiscal 2018. A summary of the funding for faced work is provided below.

| NYCHA Façade Repairs Funding Summary | | | | | |
|---------------------------------------------|---------------|------------------|-----------------|-----------------|------------------|
| <i>*Dollars in Thousands</i> | Agency | FY2016 | FY2017 | FY2018 | TOTAL |
| Operating Funds | HPD | \$46,486 | \$49,633 | \$23,244 | \$119,363 |
| | | (19,938) | 19,938 | - | - |
| | | 107 | 107 | 107 | 320 |
| <i>subtotal</i> | | \$26,654 | \$69,678 | \$23,351 | \$119,683 |
| Capital Funds | NYCHA | \$75,000 | \$10,000 | \$0 | \$85,000 |
| <i>subtotal</i> | | \$75,000 | \$10,000 | \$0 | \$85,000 |
| Total | | \$101,654 | \$79,678 | \$23,351 | \$204,683 |

- NYCHA Senior Centers.** As of July 1, 2015, only 15 senior centers, out of the Authority's entire portfolio of 255 community and senior centers, remain under NYCHA management. In Fiscal 2016, the City Council provided \$3 million to NYCHA for the ongoing operation of 15 Senior Centers (listed below) from July 1, 2015 to June 30, 2016. The City's Fiscal 2017 Executive Budget provides \$3 million in funding for one-year to support the ongoing operation of these centers in Fiscal 2017, from July 1, 2016 to June 30, 2017. NYCHA will continue to run and manage existing programming at all 15 senior centers during this timeframe with no plans to RFP services to another entity.

| NYCHA Senior Centers | | | |
|----------------------|-----------|--------------------|----------------|
| Number of Centers | Borough | NYCHA Development | Council Member |
| 1 | Bronx | Highbridge Gardens | Gibson |
| 2 | Bronx | Sedgwick | Gibson |
| 3 | Bronx | Soundview | Palma |
| 4 | Brooklyn | Brownsville | Mealy |
| 5 | Brooklyn | Cypress Hills | Barron |
| 6 | Brooklyn | Glenmore Plaza | Espinal |
| 7 | Brooklyn | Hughes Apartments | Mealy |
| 8 | Brooklyn | Sumner | Cornegy |
| 9 | Manhattan | Lincoln | Mark-Viverito |
| 10 | Manhattan | Manhattanville | Levine |
| 11 | Manhattan | Taft | Dickens |
| 12 | Manhattan | Wagner | Mark-Viverito |
| 13 | Queens | Astoria | Constantinides |
| 14 | Queens | Baisley Park | Wills |
| 15 | Queens | Bland | Koo |

* As of May 2016

- State Asset Forfeiture Funds.** Through an agreement made in December 2014 between the New York County Office of the District Attorney (DANY), the Mayor’s Office of Criminal Justice (MOCJ), and the New York City Office of Management and Budget (OMB), \$101 million in asset forfeiture funds will be provided to NYCHA to install closed circuit television (CCTV) cameras and layered access, and to support the development of a public safety analysis at 15 developments participating in the Mayor’s Action Plan for Neighborhood Safety (MAP) initiative. Pursuant to the agreement, approximately \$89 million of the total \$101 million investment will be allocated NYCHA MAP developments for infrastructure improvements that include: the installation of cameras, layered access, and exterior lighting. The City’s Fiscal 2017 Preliminary Budget provided \$80.2 million for infrastructure improvements in connection with MAP. The remaining DANY investment of \$29.8 million is provided in the City’s Fiscal 2017 Executive Budget. (See Appendix 4 for a list of all budget actions in Fiscal 2017). A summary of the total infrastructure investment in connection with this initiative is provided below.

| DANY Infrastructure Investment Summary | |
|----------------------------------------|---------------------|
| Security Operating Centers | \$5,748,000 |
| Camera connection to NYPD networks | 9,000,000 |
| 8 cameras on each building | 8,955,000 |
| Lobby Cameras | 5,440,000 |
| Elevator Cameras | 8,694,000 |
| New Doors | 12,560,000 |
| Layered Access (key fob) | 25,120,000 |
| Exterior Lights | 13,721,500 |
| TOTAL | \$89,238,500 |

- Collective Bargaining.** The Fiscal 2017 Executive Budget includes a total of \$22.9 million from Fiscal 2016-2020 as a result of collective bargaining agreements for the Painters L1969 and Plasterers L237 labor unions.
- Citywide Savings Program.** Along with the Fiscal 2017 Executive Plan, OMB released a Citywide Savings Program that outlines plans to reduce City spending by \$589 million in Fiscal 2016 and \$465.5 million in Fiscal 2017. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes that

would yield budgetary savings without reducing service levels. NYCHA has proposed savings totaling \$1.2 million in Fiscal 2016 resulting from City tax-levy savings from underspending on programmatic initiatives. In 2016, a total of \$13.2 million was provided for these initiatives, of which about \$12 million was reimbursed by OMB. This surplus was achieved through completion of programmatic initiatives below the budgeted amount for NYCHA's administration of extended hours at community centers and a veteran housing placement initiative.

NYCHA Budget Response

The Council's response to the Administration's Fiscal 2017 Preliminary Budget called for several budgetary changes for NYCHA, including baseline funding for the operation of NYCHA senior centers, funding to support a language assistance program, expansion of MAP programming, additional homeless placements in public housing, dedicated City capital funds for structural improvements, and other recommendations. The Fiscal 2017 Executive Budget partially addresses one of these requests by providing funding in Fiscal 2017 for the operation of NYCHA managed senior centers.

- **NYCHA Senior Centers.** As of July 1, 2015, NYCHA manages only 15 senior centers out of the Authority's entire portfolio of 255 community and senior centers located within its developments. In Fiscal 2016, the City Council provided \$3 million to NYCHA to sustain programming and support the ongoing operation of the 15 Senior Centers managed by NYCHA from July 1, 2015 to June 30, 2016 (See Page 7 for the list of centers). In order to ensure a long-term funding strategy and secure the viability of supportive services at the centers, the Council called on the Administration to provide dedicated, baseline funding to NYCHA. In response to this request, the City's Fiscal 2017 Executive Budget provides \$3 million in funding for one-year to support the ongoing operation of these centers in Fiscal 2017, from July 1, 2016 to June 30, 2017. As of May 2016, NYCHA indicates that they will continue to run and manage existing programming at all 15 centers with no plans to RFP services to another entity. As funding for the 15 Senior Centers was not baselined in the out-years, the future of the centers remains uncertain with no clear-cut plan for long-term funding beyond June 30, 2017.
- **NYCHA Facilities.** The Council called on the Administration to provide \$200 million in dedicated capital funding for maintenance and repairs to NYCHA over the next five years, for a commitment totaling \$1 billion. While the Administration recently allocated \$100 million over a three-year period, from Fiscal 2016 to 2018 for a Roof Repair Program at NYCHA, more capital funding is needed to make critical infrastructure improvements. The Fiscal 2017 Executive Capital Commitment Plan includes no actions to address this request.
- **Language Assistance Program.** The Council called on the Administration to provide funding for the creation of a language assistance program at NYCHA where ten percent of the residents in any development are not English-proficient. The Fiscal 2017 Executive Budget includes no actions to address concerns related to access to critical services in non-English languages.
- **Youth Tech Pilot Program.** The Council called on the Administration to provide funding for a pilot program that would engage and incorporate NYCHA youth as a component of digital-based Request for Proposals (RFP). The Fiscal 2017 Executive Budget includes no actions to address this request.

- **Additional Homeless Set-Asides in Public Housing.** Currently, the Authority dedicates 750 public housing units per year for homeless families referred by the New York City Department of Homeless Services (DHS) and will increase this set-aside by an additional 750 apartments in 2016. In exchange for the additional units, the City will provide NYCHA with about \$9 million from Fiscal 2017 to 2020, which is the same level of subsidy it provides to private landlords to house homeless families. In order to reduce the record level of homelessness (more than 58,000 homeless New Yorkers, including 25,000 children, stay in the City's shelter system each night), the Council called on the Administration to designate an additional 1,000 public housing units a year for homeless families leaving city shelters at a cost of \$12 million per year. This commitment would reserve approximately half of the 5,000 NYCHA apartments that become available each year for homeless families. The Fiscal 2017 Executive Budget includes no actions to address this request.
- **Expand the number of sites participating in MAP.** In July 2014, the Administration announced a comprehensive multi-agency effort to address public safety concerns and promote crime reduction strategies at 15 NYCHA developments with exceptionally high levels of violent crime. During the two-year period from Fiscal 2014 to 2015, \$211.3 million has been invested in the MAP initiative. Investments include: \$122 million for NYCHA repairs and maintenance; \$50 million for physical improvements to enhance security; \$1.5 million for exterior lighting; \$21.7 million for police overtime pay; \$10.2 million for expanded community center hours; and \$5.9 million to expand other key programs. An additional \$126.6 million in City funds is programmed for MAP in Fiscal 2016. The Council called on the Administration to provide \$40 million and additional capital investments to expand MAP programming to five additional NYCHA developments. The Fiscal 2017 Executive Budget includes no actions to address this request.
- **Create a Year-Round Youth Employment Program for MAP.** In Fiscal 2016, the Administration reserved 841 summer youth employment slots specifically for students in NYCHA MAP developments at a total cost of \$1.2 million. Based on the overwhelming number of summer youth employment applicants, the current estimated unmet need for youth residing in NYCHA MAP developments is about 4,000 employment slots. The Council called on the Administration to provide \$20 million to create a year-round employment program for 3,000 youth who reside at NYCHA MAP developments. The Fiscal 2017 Executive Budget includes no actions to address this request.

Federal & State Issues

- **Congressional Funding Deficit.** NYCHA receives federal capital grants for infrastructure improvements and major rehabilitation to public housing buildings. Currently, NYCHA has an \$18 billion dollar gap between what NYCHA will receive in federal capital funding and what its buildings and infrastructure require to maintain the properties in a state of good repair over a five-year period. NYCHA reports that from 2001 to 2015 they have experienced a cumulative federal capital grant funding loss of \$1.27 billion when compared to its eligibility. As the capital needs of aging buildings grow, operating costs, such as for routine maintenance and repairs also increase. Federal operating subsidies account for approximately 39 percent of NYCHA's General Fund and 100 percent of NYCHA's Section 8 Program revenues. Operating budgets are funded separately by HUD from the Public Housing Operating Fund. This Fund provides subsidies to public housing agencies nationwide for day-to-day operations. Funding is based on the subsidy eligibility of all

housing authorities and the annual federal appropriation. The eligibility formula is intended to capture the costs of operating public housing but if the total national eligibility exceeds the congressional appropriation, then HUD must prorate the allocation of subsidy.

Additionally, while HUD's formula takes various factors into account, New York City has long advocated that the factors underlying the operating subsidy formula are inequitable and ignore local factors, specifically, the age and height of NYCHA's buildings, the City's uniquely high construction costs, and higher employment costs in comparison to other public housing authorities across the U.S. NYCHA reports that from 2001 to 2015, proration resulted in a cumulative operating funding loss of \$1.2 billion. NYCHA has based its Fiscal 2016 budget on the Fiscal 2015 appropriation of 85 percent, and the plan assumes this operating subsidy proration for Fiscal 2016 to 2020. In 2016, the Authority would be eligible for \$1.07 billion but is estimated to only receive \$910 million, resulting in an estimated a shortfall of \$159 million.

- **Section 8 (HCV) Program.** The President's 2017 Federal Budget requests \$20.9 billion for the Section 8 program, an increase of \$1.2 billion over the 2016 Federal enacted budget. The Section 8 program assists low-income families in obtaining affordable housing in the private market by providing rental subsidies to landlords on behalf of eligible participants through housing assistance payments (HAP). NYCHA administers the largest Section 8 program in the nation, serving over 89,000 eligible families through a network of over 28,000 landlords. The number of vouchers that NYCHA can administer is dependent on current year appropriation and funding availability, changes in landlord rents, changes in family incomes, and the use of HAP reserves. As a result of sharp declines in renewal funding, HAP reserve levels have been exhausted, and the number of families NYCHA can serve is primarily determined by annual appropriations. Based on estimated 2015 HAP expenditures of \$1 billion, NYCHA expects HAP renewal funding of \$983 million in 2016 at 99.5 percent proration. In New York City, HPD also administers approximately 38,320 Section 8 vouchers annually. HPD reserves its Section 8 vouchers for homeless individuals referred by the New York City Department of Homeless Services (DHS) and the New York City Human Resources Administration (HRA) and for families in buildings developed or renovated under certain HPD programs. For additional information on the HPD's budget and its various programs, please refer to the Fiscal 2017 Preliminary Budget Report for HPD located at: http://council.nyc.gov/html/budget/fy17_documents.shtml
- **State Support for NYCHA Capital Funds.** Although the State has historically provided capital funds for NYCHA developments, in 2001 State contributions were reduced from \$15 million to \$6.4 million before being completely terminated in 2007. Since then, the State has sporadically allocated money to NYCHA, most recently \$100 million in Capital funds in the 2015-2016 Enacted Budget, managed by the Dormitory Authority of the State of New York. As of March 2016, \$41.6 million of this allocation has been programmed for security upgrades at 76 NYCHA developments. The remainder will be allocated at the discretion of Assembly members for appliances, common area improvements, utility and infrastructure upgrades and outdoor infrastructure upgrades at 193 developments; spending on each of the developments ranges from \$50,000 to \$3 million. The State's 2016-2017 Executive Budget, enacted on March 31, 2016, does not include a renewed allocation in capital funding to NYCHA.

NYCHA Capital Program

The Fiscal 2017 Executive Capital Commitment Plan totals \$784.4 million in Fiscal 2016-2020 for NYCHA (including \$718.1 million in City funds and \$66.3 million in federal CDBG-DR funds). This represents less than one percent of the City's total \$67.1 billion Executive Plan for Fiscal 2016-2020. The Authority's Executive Commitment Plan for Fiscal 2016-2020 is \$26.8 million greater than the \$691.3 million scheduled in the Preliminary Capital Commitment Plan. The table below reflects City capital commitments over the Fiscal 2016-2020 period.

| NYCHA 2016-2020 Capital Commitment Plan | | | | | | |
|------------------------------------------------|-------------|-------------|-------------|-------------|-------------|------------------|
| <i>Dollars in Thousands</i> | | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
| Preliminary Plan | \$396,856 | \$148,671 | \$115,778 | \$15,000 | \$15,000 | \$691,305 |
| Executive Plan | \$396,343 | \$176,021 | \$115,778 | \$15,000 | \$15,000 | \$718,142 |
| Change | (\$513) | \$27,350 | \$0 | \$0 | \$0 | \$26,837 |
| Percentage Change | (0.1%) | 18.4% | 0.0% | 0.0% | 0.0% | 3.9% |

Source: OMB Fiscal 2017 Executive Capital Commitment Plan

The majority of the capital projects span multiple fiscal years and it is therefore common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal 2015, NYCHA committed \$30.2 million or 13 percent of its annual capital plan. Over the five-year Capital Plan, the City will make substantial investments in NYCHA, including \$369.3 million in roof repair work, \$79.2 million in security enhancements, \$95 million in building façade repairs, and \$52.1 million in lighting improvements. Each of these programs is further discussed below. The total Fiscal 2016 -2020 Executive Capital Commitment Plan of \$718.1 million includes:

| NYCHA 2016-2020 Capital Commitment | | | | | | |
|-------------------------------------------|------------------|------------------|------------------|-----------------|-----------------|------------------|
| Plan By Major Categories | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
| <i>Dollars in Thousands</i> | | | | | | |
| Roof Repair Initiative | \$100,000 | \$100,000 | \$100,000 | \$0 | \$0 | \$300,000 |
| Security Enhancements | 76,382 | 2,900 | 0 | 0 | 0 | 79,282 |
| Building Facades | 75,000 | 20,000 | 0 | 0 | 0 | 95,000 |
| Lighting | 52,123 | 0 | 0 | 0 | 0 | 52,123 |
| Roof Work | 40,119 | 9,320 | 8,136 | 4,713 | 7,065 | 69,353 |
| Homeless Initiative | 15,400 | 0 | 0 | 0 | 0 | 15,400 |
| Community & Senior center Improvements | 13,179 | 700 | 0 | 0 | 0 | 13,879 |
| Upgrades to playgrounds | 8,903 | 2,250 | 0 | 0 | 0 | 11,153 |
| Kitchens and plumbing | 8,893 | 11,000 | 0 | 0 | 0 | 19,893 |
| Citywide repairs and construction | 1,902 | 0 | 0 | 0 | 0 | 1,902 |
| Hot water heaters | 1,951 | 27,471 | 7,642 | 0 | 0 | 37,064 |
| Handicapped accessability | 1,700 | 0 | 0 | 0 | 0 | 1,700 |
| Other commitments | 791 | 2,380 | 0 | 10,287 | 7,935 | 21,393 |
| TOTAL | \$396,343 | \$176,021 | \$115,778 | \$15,000 | \$15,000 | \$718,142 |

Some of the major capital projects included in the Executive Capital Commitment Plan for Fiscal 2016-2020 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 the underlying conditions of mold and other health related hazards in NYCHA developments. The first \$100 million tranche of funding will provide for roof repair work at 67 buildings across five developments scheduled between May 2015 and March 2018. The developments include Parkside (14 buildings) in the Bronx; Sheepshead Bay (18 buildings) and Albany I and II (9 buildings) in Brooklyn; and Queensbridge South (13 buildings) and Queensbridge North (13 buildings) in Queens. The total budget for this work is \$111.5 million, comprised of \$100 million in City funding. NYCHA estimates that the program will reduce capital needs by \$600 million at these developments. As of May 2016, the City has committed \$85 million towards the Roof Repair Program and has completed roof repair work at 18 out of the 67 buildings.
- **Building Façade Repairs.** The Fiscal 2016-2020 Executive Capital Commitment Plan includes \$95 million to support building façade repair work at NYCHA. About \$85 million will support mandated building façade repair work at NYCHA at 259 buildings across 31 NYCHA developments under Local Law 11 of 1998. However, some components of the scope of work for building façade repairs do not entirely meet the requirements of Directive 10, thus the City's Fiscal 2017 Executive Budget provided \$49.6 million in Operating funds in Fiscal 2017 and \$23.2 million in Operating funds in Fiscal 2018 to support mandated building repairs. The total existing scope of building façade repair work is estimated to cost \$204 million, including expense and capital funds, through 2020 (see Page 7 for a funding summary). The funding will be used to repair deteriorated exterior brick walls, roof parapet walls and balcony walls and will prevent water from getting into the buildings, which can cause interior damage and mold. The costs associated with building façade repairs range from \$100,000 to \$5 million per building.
- **Security Enhancements.** The Fiscal 2016-2020 Executive Capital Commitment Plan includes \$79.3 million for security enhancements, include Closed Circuit Television System (CCTV) installation, layered access and interior and exterior lighting at over 60 developments.
- **Security Initiatives - Exterior Lighting.** The Fiscal 2016-2020 Executive Capital Commitment Plan includes \$52.1 million for additional security enhancements, including lighting at various developments as part of MAP. In total, 168 buildings across 11 developments are undergoing or will undergo exterior lighting capital work between August 2015 and September 2017. The total budget for this work is \$113.8 million, comprised of \$58.3 million in City funding, and several other funding sources. As of February 2016, the City has committed \$35.4 million towards exterior lighting and \$1.9 million has been spent.
- **City Capital Funded Projects.** City Capital funding comprises approximately 12.4 percent of NYCHA's \$5.6 billion, 2016-2020 Capital Plan. As of March 31, 2016 there are 175 City-funded Capital projects in NYCHA's portfolio totaling \$396.3 million, which includes: \$266.1 million in Mayoral capital funds; \$118.2 million from the City Council; and \$12 million in Borough President allocations. In addition, some of these projects receive additional funding from City, State and federal resources. For the period of January 1, 2016 to March 31, 2016, City-funded Capital projects in Brooklyn and the Bronx receive the largest allocations as indicated by the table below.

| Total Funding by Borough <i>(In Thousands)</i> | Amount |
|----------------------------------------------------------|------------------|
| Brooklyn | \$91,284 |
| Bronx | 87,053 |
| Queens | 77,860 |
| Manhattan | 26,968 |
| Staten Island | 9,483 |
| Various | 103,695 |
| TOTAL | \$396,343 |

- **Miscellaneous Security Projects.** For the period of January 1, 2016 to March 31, 2016, 58 CCTV and security projects are currently in NYCHA's portfolio, including 19 projects in the planning phase, ten in the construction phase, two in the procurement phase, six projects on hold and 21 completed projects in the final contracting phase. The total budget for this scope of work is \$53.4 million.
- **Miscellaneous Non-Security Projects.** For the period of January 1, 2016 to March 31, 2016, 117 non-security projects are currently in NYCHA's portfolio, which include playground renovations, reconstruction of basketball or baseball fields, and upgrades to community centers. Currently, 36 non-security projects are on hold, 33 projects are in the planning phase, 26 projects are in the design phase, 11 are in the construction phase, 8 projects are in the procurement phase, and three completed projects are in the final contracting phase. The total budget for this scope of work is \$93.8 million.

Appendix 1: 2016 Reforecasted Operating Budget (All Funds)

| NYCHA 2016 Reforecasted Operating Budget (All Funds) | 2016 Adopted Budget | 1st Quarter Budget | | 2016 Reforecast Variance |
|---------------------------------------------------------|------------------------|--------------------|---------------|--------------------------------|
| | | Budget | Actuals | |
| <i>*In Millions</i> | | | | |
| Revenues | | | | |
| Tenant Revenue | | | | |
| Tenant Revenue | \$997 | \$249 | \$257 | \$7 |
| Operating Subsidy | 910 | 228 | 239 | 11 |
| Section 8 HAP Subsidy | 983 | 246 | 252 | 6 |
| Other Revenue | 430 | 107 | 54 | (53) |
| Total Revenues | \$3,319 | \$830 | \$801 | (\$28) |
| Expenditures | | | | |
| <i>Personal Services</i> | | | | |
| Salary FT | \$630 | \$157 | \$158 | (\$1) |
| Overtime | 67 | 17 | 26 | (9) |
| Fringe | 727 | 182 | 134 | 48 |
| Other | 21 | 5 | 9 | (4) |
| PS Total | \$1,445 | \$361 | \$327 | \$34 |
| <i>Other Than Personal Service</i> | | | | |
| Contracts | \$162 | \$41 | \$22 | \$19 |
| Utilities | 600 | 150 | 164 | (14) |
| Other | 211 | 53 | 46 | 7 |
| Section 8 HAP Payments | 961 | 240 | 234 | 6 |
| OTPS Total | \$1,935 | \$484 | \$466 | \$17 |
| Total Expenses | \$3,380 | \$845 | \$794 | \$51 |
| 2016 Reforecasted Surplus/(Deficit) | (\$60) | (\$15) | \$8 | \$23 |
| Headcount | 11,052 | 11,052 | 10,951 | (101) |

**The difference of 2016 First Quarter Budget compared to 2016 First Quarter Actuals.*

Appendix 2: 2016 Reforecasted Operating Budget (General Funds)

| NYCHA 2016 Reforecasted Operating Budget (General Funds) <i>*In Millions</i> | 2016 Adopted Budget | 1st Quarter Budget | 1st Quarter Actuals | 2016 Reforecast Variance |
|----------------------------------------------------------------------------------------|----------------------------|---------------------------|----------------------------|---------------------------------|
| Revenues | | | | |
| Tenant Revenue | | | | |
| Tenant Revenue | \$997 | \$249 | \$257 | \$7 |
| Operating Subsidy | 910 | 228 | 239 | 11 |
| Other Revenue | 425 | 106 | 52 | (54) |
| Total Revenues | \$2,332 | \$583 | \$547 | (\$35) |
| Expenditures | | | | |
| <i>Personal Services</i> | | | | |
| Salary FT | \$602 | \$150 | \$151 | (\$1) |
| Overtime | 67 | 17 | 26 | (9) |
| Fringe | 706 | 176 | 129 | 47 |
| Other | 21 | 5 | 9 | (4) |
| PS Total | \$1,395 | \$349 | \$316 | \$33 |
| <i>Other Than Personal Service</i> | | | | |
| Contracts | \$159 | \$40 | \$21 | \$18 |
| Utilities | 600 | 150 | 164 | (14) |
| Other | 202 | 50 | 44 | 6 |
| OTPS Total | \$961 | \$240 | \$230 | \$10 |
| Total Expenses | \$2,356 | \$589 | \$545 | \$44 |
| 2016 Reforecasted Surplus/(Deficit) | (\$24) | (\$6) | \$2 | \$9 |
| Headcount | 10,564 | 10,564 | 10,488 | (76) |

**The difference of 2016 First Quarter Budget compared to 2016 First Quarter Actuals.*

Appendix 3: 2016 Reforecasted Operating Budget (HCV)

| NYCHA 2016 Reforecasted Operating Budget (Section 8 Housing Choice Voucher) <i>*In Millions</i> | 2016 Adopted Budget | 1st Quarter Budget | 1st Quarter Actuals | 2016 Reforecast Variance |
|-------------------------------------------------------------------------------------------------------|------------------------|-----------------------|------------------------|--------------------------------|
| Revenues | | | | |
| Tenant Revenue | | | | |
| Section 8 HAP Subsidy | \$983 | \$246 | \$252 | \$6 |
| Section 8 Admin Fee | 70 | 17 | 18 | 1 |
| Other | 1 | 0 | 0 | 0 |
| Total Revenues | \$1,053 | \$263 | \$270 | \$7 |
| Expenditures | | | | |
| <i>Personal Services</i> | | | | |
| Salary FT | \$28 | \$7 | \$7 | \$0 |
| Overtime | 1 | 0 | 0 | 0 |
| Fringe | 22 | 5 | 5 | 1 |
| Other | 1 | 0 | 0 | 0 |
| PS Total | \$51 | \$13 | \$12 | \$2 |
| <i>Other Than Personal Service</i> | | | | |
| Contracts | \$17 | \$4 | \$4 | \$1 |
| Utilities | 0 | 0 | 0 | 0 |
| Other | 9 | 2 | 2 | 1 |
| Section 8 HAP Payments | 1,013 | 253 | 247 | 6 |
| OTPS Total | \$1,040 | \$260 | \$252 | \$8 |
| Total Expenses | \$1,091 | \$273 | \$265 | \$9 |
| 2016 Reforecasted Surplus/(Deficit) | (\$38) | (\$9) | \$5 | \$15 |
| Headcount | 488 | 488 | 463 | (25) |

**The difference of 2016 First Quarter Budget compared to 2016 First Quarter Actuals.*

Appendix 4: Fiscal 2017 Budget Actions in the Preliminary & Executive

| NYCHA Additions in the City's FY2017 Preliminary Budget Operating Funds (FY2016-FY2020) | Agency | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | Five-Year Total |
|------------------------------------------------------------------------------------------------|---------------|----------------------|----------------------|---------------------|---------------------|---------------------|------------------------|
| <i>New Needs</i> | | | | | | | |
| MAP Center Repairs | Misc | \$1,180,000 | \$0 | \$0 | \$0 | \$0 | \$1,180,000 |
| MOCJ- Lights Study | MOCJ | 5,560,000 | 0 | 0 | 0 | 0 | 5,560,000 |
| MAP Extended Hours | Misc | 2,430,000 | 0 | 0 | 0 | 0 | 2,430,000 |
| NYCHA Façade Repairs--necessitated by Local Law 11 compliance | HPD | 46,485,591 | 106,800 | 106,800 | 106,800 | 0 | 46,805,991 |
| LINC Voucher Payments for NYCHA Homeless Housing Placements | DHS | 0 | 9,000,000 | 18,360,000 | 28,090,800 | 38,203,488 | 93,654,288 |
| Collective Bargaining Reimbursements | Misc | 5,471,053 | 6,623,922 | 7,246,841 | 7,246,841 | 7,246,841 | 33,835,498 |
| NYCHA Veteran Housing --placement of 57 homeless veterans at NYCHA | Misc | 790,000 | 0 | 0 | 0 | 0 | 790,000 |
| SBS Payment to NYCHA for leasing of Workforce 1 Center space | SBS | 441,635 | 0 | 0 | 0 | 0 | 441,635 |
| <i>subtotal</i> | | \$62,358,279 | \$ 15,730,722 | \$25,713,641 | \$35,444,441 | \$45,450,329 | \$184,697,412 |
| <i>Adjustments</i> | | | | | | | |
| State funds for the NYCHA-MOCJ MOU at MAP developments | Misc | \$80,238,500 | \$0 | \$0 | \$0 | \$0 | \$80,238,500 |
| <i>subtotal</i> | | \$80,238,500 | \$0 | \$0 | \$0 | \$0 | \$80,238,500 |
| NYCHA Additions in the City's FY2017 Executive Budget Operating Funds (FY2016-FY2020) | Agency | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | Five-Year Total |
| <i>New Needs</i> | | | | | | | |
| NYCHA Façade Repairs--necessitated by Local Law 11 compliance | HPD | \$0 | \$49,632,897 | \$23,244,299 | \$0 | \$0 | \$72,877,196 |
| NYCHA Senior Centers | Misc | 0 | 3,000,000 | 0 | 0 | 0 | 3,000,000 |
| <i>subtotal</i> | | \$0 | \$52,632,897 | \$23,244,299 | \$0 | \$0 | \$75,877,196 |
| <i>Adjustments</i> | | | | | | | |
| State funds for the NYCHA-MOCJ MOU at MAP developments | NYPD | \$9,000,000 | \$0 | \$0 | \$0 | \$0 | \$9,000,000 |
| State funds for the NYCHA-MOCJ MOU at MAP developments | HPD | 20,847,165 | 0 | 0 | 0 | 0 | 20,847,165 |
| FY16 NYCHA Roll | Misc | (11,153,742) | 11,153,742 | 0 | 0 | 0 | 0 |
| NYCHA Façade Roll | HPD | (19,938,137) | 19,938,137 | 0 | 0 | 0 | 0 |
| NYCHA Savings | Misc | (1,156,918) | 0 | 0 | 0 | 0 | (1,156,918) |
| NYCHA Adjustment | Misc | (3,880,698) | 0 | 0 | 0 | 0 | (3,880,698) |
| NYCHA Baseline Adjustment | Misc | 0 | (7,500) | (7,500) | (110,500) | (3,016,206) | (3,141,706) |
| NYCHA Collective Bargaining Adjustment | Misc | 2,106,371 | 4,988,755 | 5,253,069 | 5,253,069 | 5,253,069 | 22,854,333 |
| NYCHAH2O | DCAS | 7,275 | 0 | 0 | 0 | 0 | 7,275 |
| <i>subtotal</i> | | (\$4,168,684) | \$36,073,134 | \$5,245,569 | \$5,142,569 | \$2,236,863 | \$44,529,451 |
| Total | | \$138,428,095 | \$104,436,753 | \$54,203,509 | \$40,587,010 | \$47,687,192 | \$385,342,559 |