

THE COUNCIL OF THE CITY OF NEW YORK

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Report to the Committee on Finance and the Committee on Public Housing on the Fiscal 2018 Executive Budget for New York City Housing Authority May 18, 2017

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Fiscal 2017 Operating Plan Summary

- **2017 First Quarter Actuals Budget Changes.** The 2017 Adopted Operating Budget projects an overall surplus of about \$21 million. Actual spending and revenues in the 2017 First Quarter Operating Budget reflect several changes from budgeted figures in the current fiscal year. These changes include the following:
 - \$9 million in operational savings from Personal Service (PS) expenses;
 - \$4.5 million in less revenue from federal operating and Section 8 subsidies;
 - \$108 million in additional revenue from a Project Based Section 8 recapitalization deal; and
 - \$30.6 million increase in utilities expenditures.
- **Funding Sources.** At about \$81.9 million, or 2.5 percent, only a small portion of NYCHA's Fiscal 2017 Operating Budget is comprised of City tax-levy funds. About \$1.9 billion, or 58 percent of the Authority's Operating Budget, is supported by federal assistance programs in 2017; this includes \$1.1 billion for the Section 8 program and \$822 million in Public Housing Operating funds.
- **Recent Federal Budget Actions.** NYCHA has based its Fiscal 2017 Section 8 budget on the Fiscal 2016 appropriation of 99.58 percent, its Fiscal 2017 Section 8 Administrative budget on the Fiscal 2016 appropriation of 84 percent and its Fiscal 2017 Operating subsidy budget on the Fiscal 2016 appropriation of 87 percent. Although federal proration rates will not be finalized until several weeks from now, recent federal actions fund various programs at flat rates in the immediate term. On May 1, 2017, Congress passed an Omnibus Appropriations bill for Federal Fiscal Year 2017, totaling \$38.8 billion for the U.S. Department of Housing and Urban Development (HUD), through September 30, 2017. The bill provides:
 - \$4.4 billion for Public Housing Operating funds; this represents a decrease of \$100 million compared to Federal Fiscal Year 2016 levels;
 - \$31.1 billion for Section 8, including \$20.3 billion for Tenant based Section 8 and \$10.8 billion for Project-based Section 8; this represents an increase of \$186 million compared to Federal Fiscal Year 2016 levels; and
 - \$1.9 billion for the Public Housing Capital funds; this represents an increase of \$41.5 million compared to Federal Fiscal Year 2016 levels.
- **Recent State Budget Actions.** The 2017-2018 State Budget provides \$200 million in Capital funds for NYCHA. The funds require NYCHA and the Dormitory Authority of the State of New York to develop a spending plan, which is subject to approval by New York State Homes and Community Renewal.
- **Headcount.** The Authority's 2017 Adopted Operating Plan supports a workforce of 11,107 positions, an increase of 55 positions from the 2016 Adopted Plan. As of February 2017, the current financial headcount totals 10,908 positions, comprised of about 3,050 administrative staff and 7,858 frontline staff, such as maintenance workers, caretakers, and skilled trade persons that provide essential services.
- **City Capital Budget.** The City's Fiscal 2018 Executive Capital Commitment Plan includes \$995.8 million in Fiscal 2017-2021 for NYCHA (comprised of all City funds). The Authority's Executive Commitment Plan for Fiscal 2017-2021 is \$76 million greater than the \$919.8 million scheduled in the Preliminary Capital Commitment Plan. This increase is primarily due

to \$60 million in additional funds to support mandated building façade repairs at various developments citywide pursuant to Local Law 11 of 1998.

NYCHA Overview

This report provides a review of NYCHA's 2017-2021 Operating Plan. The first section provides a review of the 2017 Operating Plan, followed by significant budget actions introduced in the City's Fiscal 2018 Executive Budget and a review of federal and State budget actions. An analysis of the Authority's Fiscal 2017-2021 Executive Capital Commitment Plan follows the discussion of the Expense Budget. Finally, the appendices are included to provide additional details on the 2017-2021 Adopted Operating Plan and City budget actions. For additional information on the Authority's budget and its various programs, please refer to the Fiscal 2018 Preliminary Budget Report for NYCHA accessible at:

<http://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/NYCHA.pdf>

NYCHA Financial Plan Summary						
<i>Dollars in Millions</i>	2017 1st Quarter Actuals	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Revenues						
Tenant Rental Revenue	\$264.0	\$1,053.1	\$1,076.9	\$1,086.1	\$1,094.9	\$1,103.8
Federal Subsidies	476.7	1,895.8	1,919.2	1,906.1	1,907.6	1,917.3
Other Revenue	179.7	314.3	284.1	237.5	243.6	210.1
Total Revenues	\$920.4	\$3,263.2	\$3,280.2	\$3,229.7	\$3,246.1	\$3,231.2
Expenditures						
Personal Service	\$326.4	\$1,342.3	\$1,346.2	\$1,360.2	\$1,377.5	\$1,395.0
Other Than Personal Service	475.4	1,899.8	1,873.0	1,889.1	1,896.0	1,893.0
Total Expenditures	\$801.8	\$3,242.1	\$3,219.2	\$3,249.3	\$3,273.5	\$3,288.0
Surplus/(Deficit)	\$118.6	\$21.1	\$61.0	(\$19.6)	(\$27.4)	(\$56.8)

Source: NYCHA

NYCHA's budget is not part of the City's budget and NYCHA's fiscal year follows the calendar year. On December 21, 2016, the NYCHA Board approved its five-year 2017-2021 Operating and Capital Plans, which for 2017 projected an overall surplus of \$21.1 million. Since then, several initiatives have impacted the Authority's budget in the first quarter of the current fiscal year. For 2017, these include \$9 million in operational savings from Personal Service (PS) expenses, \$4.5 million in less revenue from federal operating and Section 8 subsidies, and \$108 million in additional revenue from a Project Based Section 8 recapitalization deal at six NYCHA developments.

NYCHA's total revenues for 2017 are approximately \$3.26 billion. About \$1.05 billion, or 32 percent, of NYCHA's Fiscal 2017 budget is comprised of tenant rental revenue. Revenue from the Section 8 program accounts for approximately \$977.4 million, or 31 percent of NYCHA's total revenue. The Section 8 administrative fee is budgeted at \$76.4 million in 2017. NYCHA has based its Fiscal 2017 Section 8 budget on the Fiscal 2016 appropriation of 99.58 percent and its Fiscal 2017 Section 8 Administrative budget on the Fiscal 2016 appropriation of 84 percent. Federal operating subsidies (Section 9) account for 25 percent of the Authority's operating revenues or \$822 million in 2017. NYCHA has based its Fiscal 2017 Operating subsidy budget on the Fiscal 2016 appropriation of 87 percent. On May 1, 2017, Congress passed an Omnibus Appropriations

bill for Federal Fiscal Year 2017, totaling \$38.8 billion for HUD through September 30, 2017. The bill provides funding for Section 8 and Section 9 programs at flat rates, however NYCHA will not receive proration rates for the remainder of the year until the end of May. As such, at the time of this writing, the budgeted assumptions that are currently reflected in the 2017 Operating Plan remain unchanged.

NYCHA's total expenditures for 2017 are approximately \$3.24 billion. About \$1.3 billion, or 41 percent of NYCHA's Fiscal 2017 expenditures are comprised of Personal Services (PS), including salaries and fringe benefits. These expenses include \$603.1 million in uncontrollable PS costs related to fringe benefits, other salary and retroactive pay, and \$738.1 million in controllable PS costs, which include full-time and part-time salaries, seasonal employee salaries and overtime pay. Section 8 Housing Assistance Payments account for 30 percent, or \$966.2 million of the total expenditures. Utilities payments account for 16 percent of the Authority's operating expenditures, or \$529.9 million in 2017. For the first quarter of 2017, utility expenditures were \$30.6 million above budgeted amount due to seasonality driven by the heating season. Total other expenditures, which include \$40.5 million in insurance payments, among others, is projected to be about \$201 million in 2017.

As of March 2017, NYCHA reports that it has approximately 2.6 months of operating reserves, which is on par with the amount of reserves recommended by HUD, and substantially larger than the ten-year low of .33 months in 2012.

Fiscal 2017 Operating Plan Highlights

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 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. The key actions in the NextGeneration NYCHA that will impact NYCHA's Operating Budget in 2017 and in the outyears include the following.

- **Operating Budget Deficit Closed.** The year-end 2016 Operating Budget for the Authority reflects an overall surplus of \$8.4 million, an increase of approximately \$68.4 million from the \$60 million deficit originally projected in the 2016 Adopted Operating Budget. The 2017 Adopted Operating Budget projects an overall surplus of \$21.1 million.
- **Rent Collection.** In 2017, about \$1.05 billion, or 32 percent, of NYCHA's operating budget is comprised of tenant rental revenue. However, on average, NYCHA's rent and fee collection rate is about 90 percent, which contributes to the Authority's 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 2017, the Authority collected about \$1 million in rent, back rent and fees more than was budgeted in the 2017 Adopted Budget. Over the long-term, these policy changes are expected to result in \$30 million in annual operating revenue by Fiscal 2020.
- **Headcount Reductions.** The Authority's 2017 Adopted Operating Plan supports a workforce of 11,107 positions, an increase of 55 positions from the 2016 Adopted Plan. As of February 2017, the current financial headcount totals 10,908 positions, comprised of about 3,050

administrative staff and 7,858 frontline staff, such as maintenance workers, caretakers, and skilled trade persons that provide essential services. Over the ten-year period from 2007 to 2016, NYCHA headcount has dropped by 1,496 positions, or approximately 12 percent, from 12,548 positions in 2007 to 11,052 positions in 2016. Over the same period of time, annual expenses increased by \$620 million, or by approximately 22 percent, from \$2.76 billion in 2007 to \$3.38 billion in 2016. As such, NYCHA is pursuing strategies to cut expenses by continuing to reduce its central office workforce through attrition and through the integration of some operations and positions within NYCHA into other City agencies. In 2017, NYCHA estimates it will generate \$19.1 million in savings in personnel costs through the transition of central office staff to other City agencies.

- **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. In May 2016, the City selected three private development firms to develop 489 units of affordable housing at Millbrook, Van Dyke, and Ingersoll Houses. The newly constructed units will be affordable to individuals earning up to \$38,100 annually and about 60 percent, or 300 units, will be dedicated to low-income seniors. In June 2016, NYCHA released an RFP for development at an additional two sites at Betances Houses. At the time of this writing, the results of the RFP have not yet been announced. In November 2016, NYCHA announced an additional four housing sites slated for the 100 percent affordable housing program, which include Harborview, BronxTwin Parks West, Sumner, and Morrisania Air Rights Houses. The affordability levels and target populations will be determined in consultation with residents and other community stakeholders during community visioning sessions; NYCHA plans to release a Request for Expression of Interest for development at the four sites in Spring 2017 and a development team by Fall 2017. In total, about 50 sites are slated for the 100 percent affordable housing program, which is 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, Holmes Towers on the Upper East Side, and La Guardia Houses on the Lower East Side. The community engagement process is ongoing at the 50/50 development sites through ongoing stakeholder committee meetings. In June 2016, NYCHA released an RFP for development at Wyckoff and Holmes. At the time of this writing, the results of the RFP have not yet been announced. An RFP for development at La Guardia Houses is expected in Fall 2017. 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 capital improvements in the adjacent developments, as well as ensuring the Authority's financial sustainability.
- **Rental Assistance Demonstration Program (RAD).** In December 2016, NYCHA entered into its first RAD deal, converting approximately 1,400 units at Ocean Bay Houses (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 private funding sources like tax credits which are not traditionally available to public housing projects. The conversion of these units leveraged approximately \$325 million in funding, including FEMA funds for major capital improvements and upgrades, such as kitchen and bathroom modernizations, roof replacement, boiler replacements and safety upgrades. These investments are expected to reduce capital needs by \$87 million at Ocean Bay over a 10-year period. Additionally, the agreement generated approximately \$43.6 million in operating revenue for the Authority in 2016. In July 2016, NYCHA submitted an application to HUD to convert an additional 40 developments comprised of approximately 5,200 units, through the RAD program. In January 2017, HUD approved the conversion of approximately 1,700 units out of the 5,200 units submitted in the application. The majority of the 1,700 units are atypical buildings in the NYCHA portfolio and are mostly scattered site developments with low density properties (less than seven stories), and encompass 59 buildings over 17 developments. The conversion of these units is estimated to leverage approximately \$300 million in funding for extensive capital repairs in order to address an estimated total capital need of \$316.1 million across the developments. On May 1, 2017, Congress passed an Omnibus Appropriations bill for Federal Fiscal Year 2017, which increases the number of public housing units that can convert under the RAD program from 185,000 to 225,000. It also extended the program by two years until September 30, 2020. As such, it is expected that additional NYCHA units will be converted under the program.

City-Funded Initiatives

In addition to the revenue generating strategies outlined in the previous section, the Administration has relieved NYCHA from City payments and provided funding for various initiatives in order to relieve NYCHA of certain obligations, so that money can be used for operations, repairs and maintenance. The City's Fiscal 2018 Executive Budget provides an outlay of \$16.7 million in City Operating funds for the Fiscal 2017-2021 period for ongoing operating costs and other core services at NYCHA. In Fiscal 2018, the Executive Budget adds \$6.3 million in Fiscal 2018 and \$3.5 million in Fiscal 2019 and in the outyears to fund mandated façade repairs at NYCHA developments, provide for the continuation of social services for seniors, and funds for a fleet consolidation initiative. (See Appendix 2 for a list of all budget actions in Fiscal 2018). The key actions in the Fiscal 2018 Executive Budget include:

NYCHA Additions in the City's Fiscal 2018 Executive Plan Operating Funds (FY2017-FY2021)	Agency	FY2017	FY2018	FY2019	FY2020	FY2021	Five-Year Total
<i>New Needs</i>							
Funding for NYCHA to operate 400 City-owned temporary light towers	Misc	\$0	\$3,250,575	\$3,250,575	\$3,250,575	\$3,250,575	\$ 13,002,300
Funding for the operation of 14 NYCHA senior centers in FY18	Misc	0	2,783,000	0	0	0	2,783,000
Fleet Consolidation	DCAS	0	238,000	238,000	238,000	238,000	952,000
<i>subtotal</i>		\$0	\$6,271,575	\$3,488,575	\$3,488,575	\$3,488,575	\$16,737,300
<i>Adjustments</i>							
NYCHA Misc. Budget Takedown	Misc	(\$434,396)	\$0	\$0	\$0	\$0	(\$434,396)
NYCHA Reallocation	Misc	(7,061,350)	7,061,350	0	0	0	0
NYCHA Budget Realignment	HPD	(47,215,834)	34,346,907	57,788,753	3,076,009	458,000	48,453,835
NYCHA Facade Reallocation	HPD	(2,277,312)	2,277,312	0	0	0	0
NYCHA Facades - CD funded	HPD	0	59,415,217	19,506,963	19,557,867	19,557,867	118,037,914
NYCHA Auto Commission	DCAS	33,756	0	0	0	0	33,756
EAP SERVICES FOR NYCHA	MAY	394,730	0	0	0	0	394,730
FY17NYCHA Inspector General	DOI	40,000	0	0	0	0	40,000
<i>subtotal</i>		\$(56,520,406)	\$103,100,786	\$77,295,716	\$22,633,876	\$20,015,867	\$166,525,839
Total		\$(56,520,406)	\$109,372,361	\$80,784,291	\$26,122,451	\$23,504,442	\$183,263,139

- **NYCHA Façade Repairs.** A total of \$59.4 million in federal Community Development Block Grant (CDBG) funds are added in Fiscal 2018 and \$19.5 million in Fiscal 2019 and in the outyears to support mandated building façade repairs under Local Law 11 of 1998. In addition, about \$2.3 million in City funds are rolled in the Fiscal 2018 Executive Budget from Fiscal 2017 to Fiscal 2018 to support continued façade work. 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 2017 to 2021 to complete the work. An additional \$145 million is allocated in the Fiscal 2017-2021 Executive Capital Commitment Plan for building façade repair work. In total, the Fiscal 2018 Executive Budget provides \$356.1 million to NYCHA to support the existing scope of façade repair work at 399 buildings across 153 developments. A summary of the total funding for façade repairs is provided on Page 13.
- **Temporary Light Towers.** The Fiscal 2018 Executive Budget provides \$3.3 million in Fiscal 2018 and in the outyears for fuel and maintenance of 400 city-owned temporary lighting towers used at various NYCHA developments.
- **Funding for NYCHA managed Senior Centers.** In total, 255 community and senior centers (comprised of 126 community centers and 129 senior centers) operate on NYCHA's property across the five boroughs which provide recreational, social, educational and cultural programming for residents and community members. These centers are operated by NYCHA, the Department of Youth and Community Development (DYCD), the Department for the Aging (DFTA), and a variety of community-based organizations at a total annual operating cost ranging from \$200,000 to \$520,000 per center. As part of NYCHA's efforts to eliminate its structural operating deficit, in recent years NYCHA has transitioned the management of most of these centers to DYCD and DFTA. As such, as of January 24, 2017, only 14 senior centers remain under NYCHA management (listed below). The City's Fiscal 2018 Executive Plan includes \$2.8 million in funding for the ongoing operating support for the remaining 14 centers until June 30, 2018.

NYCHA Managed Senior Centers			
Number of Centers	Borough	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	Taft	Perkins
11	Manhattan	Wagner	Mark-Viverito
12	Queens	Astoria	Constantinides
13	Queens	Baisley Park	Wills
14	Queens	Bland	Koo

NYCHA Budget Response

The Council's response to the Administration's Fiscal 2018 Preliminary Budget called for several budgetary changes for NYCHA, including funding to support the childcare and food business pathways programs, and the reallocation of capital funds to fast track roof repairs. The Fiscal 2018 Executive Budget does not add any additional funding or actions to address the Council's proposals.

- Expand the Food Business Pathways Program.** The Food Business Pathways Program is a business training program that helps NYCHA residents start food businesses. Participants receive a free 8-week intensive business course; free licenses and permits; group and one-on-one business coaching designed to move a business forward; and an opportunity to compete for the chance to receive one of five free incubator spaces for five months. Additionally, all participants receive assistance to secure alternative space in which to operate their food businesses. Since 2014, the program has served 139 NYCHA residents and NYCHA Section 8 voucher holders over five cohorts. An additional \$82,738 would allow 35 more NYCHA residents to participate in the program.
- Expand the Childcare Business Pathways Program.** The NYCHA Childcare Business Pathways program is a business accelerator program for NYCHA residents who want to open a home-based day care business. The program helps streamline the application process, provides the technical assistance to help residents pass home inspections, and access New York State subsidies to create childcare businesses. Residents who are accepted into the program receive a free 15-week intensive business course; free training, licensing, and technical assistance; and business coaching to move their home-based childcare business forward. An additional \$79,873 would allow 20 more NYCHA residents to participate in the program.
- Fast Track New York City Housing Authority Roof Repairs.** The Preliminary Capital Commitment Plan for 2016-2019 allocated \$100 million per year over a three-year period for a roof repair program to address health related hazards in NYCHA developments. The Executive Capital Commitment Plan for Fiscal 2017-2021 continues this commitment and allocates an additional \$111 million for roof repairs in Fiscal 2021 bringing total funding to \$533 million over five years. In total, the existing scope of roof repair work encompasses 952 buildings and is budgeted at \$1.3 billion over a ten-year period. This program will impact

approximately 175,478 NYCHA residents. While this is an important commitment, NYCHA has indicated that it has the capacity to complete \$1 billion worth of roof repairs over a five-year period. As such, the Administration should speed the roof repair program by increasing the allocation to \$200 million per year.

Federal & State Issues

NYCHA receives both operating and capital subsidies directly from HUD, based on an eligibility formula, which is subject to Congressional appropriation. These funds do not flow through the City's budget. NYCHA generally receives about \$2 billion in operating funding from the federal government for its public housing and Section 8 programs, and about \$300 million annually for its capital program. The 2017 Adopted Operating Budget projects about \$1.9 billion in federal funds for NYCHA, which currently comprises about 58 percent of the Authority's operating budget. However, these projections are subject to federal actions and appropriations. On May 1, 2017, Congress passed an Omnibus Appropriations bill for Federal Fiscal Year 2017, totaling \$38.8 billion for HUD, through September 30, 2017; this represents a \$512.5 million increase over Federal Fiscal Year 2016 enacted levels. These federal budget impacts are further outlined below.

- **Federal Operating Subsidy (Section 9).** Federal operating subsidies account for 25 percent of the Authority's operating revenues or about \$822 million in 2017. Section 9 funding is based on the subsidy eligibility formula of public housing authorities nationwide 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 (PHAs) across the U.S. NYCHA reports that from 2001 to 2016, proration resulted in a cumulative operating funding loss of approximately \$1.3 billion when compared to its eligibility. NYCHA has based its Fiscal 2017 Operating subsidy budget on the Fiscal 2016 appropriation of 87 percent, and the Plan assumes this operating subsidy proration for Fiscal 2017 to 2021. Although federal proration rates remain uncertain, at the time of this writing, the Transportation, Housing and Urban Development (THUD) Appropriations bill provides \$4.4 billion for Public Housing Operating funds; this represents a decrease of \$100 million compared to Federal Fiscal Year 2016 levels.

However, NYCHA will not receive proration rates for the months of June through September until the end of May. As such, the budgeted assumptions that are currently reflected in the 2017 Operating Plan remain unchanged, as it is not yet known if the public housing operating subsidy funding will be equal or above eligibility in 2017.

- **Section 8 (HCV) and Administrative Fee Subsidy.** Revenue from the Section 8 program accounts for approximately \$1.1 billion, or 33 percent of NYCHA's total revenue in 2017. 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 about 85,000 eligible families through a network of over 28,000 landlords. NYCHA reports that the average household income of a Section 8 voucher holder is about

\$15,803 per year. In addition, there are currently an estimated 2,133 NYCHA Section 8 voucher holders searching for an apartment, and on average, about 73 percent are successful at finding a rental unit in the New York City housing market. 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 2016 HAP expenditures of \$996.6 million, NYCHA expects HAP renewal funding of \$997.4 million in 2017 at 99.58 percent proration, and \$76.4 million for Section 8 Administration fees. Although federal proration rates remain uncertain, at the time of this writing, the Transportation, Housing and Urban Development (THUD) Appropriations bill provides \$31.1 billion for Section 8, including \$20.3 billion for Tenant based Section 8 and \$10.8 billion for Project-based Section 8. This represents an increase of \$186 million compared to Federal Fiscal Year 2016 levels. However, NYCHA will not receive proration rates for the Section 8 program for the months of June through September until the end of May. As such, the budgeted assumptions that are currently reflected in the 2017 Operating Plan remain unchanged, as it is not yet known if HAP subsidy funding will be equal or above eligibility in 2017.

- **Federal Capital Subsidies.** NYCHA receives annual federal capital grants for infrastructure improvements and major rehabilitation to public housing buildings. For the five-year period from 2012 to 2016, annual capital grants to NYCHA have averaged about \$290 million per year. NYCHA's 2017-2021 Capital Plan includes \$1.8 billion in federal capital grants and assumes an average annual grant of \$362.2 million. Currently, NYCHA has an \$18 billion gap between what NYCHA will receive in federal capital funding and what its buildings and infrastructure require to maintain a state of good repair. NYCHA reports that from 2001 to 2016 they have experienced a cumulative federal capital grant funding loss of \$1.37 billion compared to eligibility. As the capital needs of aging buildings grow, operating costs, such as maintenance and repair also increase. This chronic funding gap severely constrains NYCHA's ability to make necessary repairs and upgrades. Although federal proration rates remain uncertain, at the time of this writing, the Transportation, Housing and Urban Development (THUD) Appropriations bill provides \$1.9 billion for the Public Housing Capital funds; this represents an increase of \$41.5 million compared to Federal Fiscal Year 2016 levels. However, the budgeted assumptions that are currently reflected in the 2017 Capital Plan remain unchanged, as it is not yet known if public housing capital funding will be equal or above eligibility in 2017.
- **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 2016-2017 State Budget and \$200 million in Capital funds in the 2017-2018 State Budget for appliances, common area improvements, utility and infrastructure upgrades and outdoor infrastructure upgrades. The funds provided in the 2017-2018 budget require NYCHA and the Dormitory Authority of the State of New York to develop a spending plan, which is subject to approval by New York State Homes and Community Renewal.

NYCHA Capital Strategy and Plan

The New York City Housing Authority (NYCHA), operates and maintains affordable housing for low- and moderate- income families. NYCHA owns and operates the nation's largest public housing program. With 328 developments containing 177,657 apartments in 2,547 residential buildings housing over 400,000 tenants, NYCHA houses seven percent of the City's population. NYCHA also operates the Leased Housing (Section 8) Program providing rental assistance for over 88,000 apartments housing over 205,000 residents.

Ten-Year Capital Strategy

The City's Ten-Year Capital Strategy totals \$95.8 billion (all funds), an increase of \$6.2 billion, or seven percent, from the Preliminary Ten-Year Capital Strategy total of \$89.6 billion. The Ten-Year Capital Strategy demonstrates the agency's long-term capital spending goals, and the Capital Commitment Plan outlines plans for projects funded in the capital budget. For NYCHA, the Ten-Year Capital Strategy provides \$1.4 billion (comprised of all City funds) in support of its capital program goals from Fiscal 2018 to 2027. The Ten-Year Capital Strategy focuses capital funding on building exteriors upgrades such as roof work and building systems including funding for elevators. A breakdown of the Ten-Year Capital strategy for NYCHA is provided below.

Dollars in Thousands	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Low to Moderate Income Public Housing Upgrade & Replacement	\$ 216,369	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,000	\$ 136,465	\$ 137,944	\$ 1,442,778
Total	\$216,369	\$136,000	\$136,000	\$136,000	\$136,000	\$136,000	\$136,000	\$136,000	\$136,465	\$137,944	\$1,442,778

Source: Office of Management and Budget (OMB) Executive Ten-Year Capital Strategy Fiscal Years 2018-2027

Capital Commitment Plan

The Fiscal 2018 Executive Capital Commitment Plan totals \$995.8 million in Fiscal 2017-2021 for NYCHA (comprised of all City funds). This represents approximately 1.3 percent of the City's total \$78.1 billion Executive Plan for Fiscal 2017-2021. The Authority's Executive Commitment Plan for Fiscal 2017-2021 is \$76 million greater than the \$919.8 million scheduled in the Preliminary Capital Commitment Plan. The table below reflects City capital commitments over the Fiscal 2017-2021 period.

Dollars in Thousands	2017	2018	2019	2020	2021	Total
Executive Plan	\$371,447	\$216,369	\$136,000	\$136,000	\$136,000	\$995,816
Preliminary Plan	372,117	169,697	126,000	126,000	126,000	919,814
Change	(670)	46,672	10,000	10,000	10,000	76,002
Percentage Change	0%	28%	8%	8%	8%	8%

Source: OMB Fiscal 2018 Executive Capital Commitment Plan

Since the Office of Management and Budget (OMB) typically frontloads budgets for capital projects, which usually span multiple fiscal years, agencies often roll unspent capital funds into future fiscal years. In Fiscal 2016, NYCHA committed \$233.3 million or 50 percent of its annual capital plan. Therefore, it is assumed that a significant portion of NYCHA's Fiscal 2017 Capital Plan will be rolled into Fiscal 2018.

NYCHA's Fiscal 2017 -2021 Executive Capital Commitment Plan of \$995.8 million includes:

NYCHA 2017-2021 Capital Commitment Plan By Major Categories <i>Dollars in Thousands</i>	2017	2018	2019	2020	2021	Total
Roof Work to Prevent Mold	\$100,001	\$100,000	\$111,000	\$111,000	\$111,000	\$533,001
Building Facades	85,000	30,000	10,000	10,000	10,000	145,000
Major renovations at Sotomayer	37,971	0	0	0	0	37,971
Instantaneous hot water heaters	2,000	27,471	0	0	0	29,471
Homeless Initiative	15,400	5,183	0	0	0	20,583
Major renovations at Breukelen Houses	0	19,091	0	0	0	19,091
Roof replacement at Forest	9,450	8,136	0	0	0	17,586
Security Enhancements	12,849	1,050	0	0	0	13,899
Lighting	16,422	250	0	0	0	16,672
Renovations	10,531	2,885	0	0	0	13,416
Homeless Initiative	15,400	0	0	0	0	15,400
Upgrades and repairs to centers	21,979	12,151	0	0	0	34,130
Upgrades to playgrounds	12,149	770	0	0	0	12,919
Kitchens and plumbing	675	19,091	0	0	0	19,766
Citywide repairs and construction	1,663	500	0	0	0	2,163
Outdoor area improvements	1,751	0	0	0	0	1,751
Handicapped accessibility	1,700	0	0	0	0	1,700
Other commitments	26,506	(10,209)	15,000	15,000	15,000	61,297
TOTAL	\$371,447	\$216,369	\$136,000	\$136,000	\$136,000	\$995,816

Some of the major capital projects included in the Executive Capital Commitment Plan for Fiscal 2017-2021 are highlighted below.

- Roof Replacement Program.** The Preliminary Capital Commitment Plan for 2016-2019 allocated \$100 million per year over a three-year period for a roof repair program to address health related hazards in NYCHA developments. The Executive Capital Commitment Plan for Fiscal 2017-2021 continues this commitment and allocates an additional \$111 million for roof repairs in Fiscal 2021 bringing total funding to \$533 million. 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 second tranche of funding will provide for roof repair work at an additional seven developments scheduled between April 2017 and June 2019. The developments include White (Manhattan); Wise Towers (Manhattan); Sedgwick (Bronx); Saint Nicholas (Manhattan); Tilden (Brooklyn); Cypress Hills (Brooklyn); and Breukelen (Brooklyn). In total, the existing scope of roof repair work encompasses 952 buildings and is budgeted at \$1.3 billion over a ten-year period. This program will impact approximately 175,478 NYCHA residents.
- Security Initiatives- Exterior Lighting.** The Executive Capital Commitment Plan includes \$13.9 million for security enhancements, including CCTV installation and \$16.7 million for lighting at 15 developments as part of the Mayor's Action Plan for Neighborhood Safety (MAP). In total, 168 buildings are undergoing or will undergo exterior lighting capital work between August 2015 and March 2018. 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 2017, the City has expended \$37.9 million towards the installation of 3,717 light fixtures. In addition, 212 buildings will undergo CCTV installation between June 2016 through April

2017. As of February 2017, the City has expended \$10.7 million towards the installation of CCTV cameras and other security enhancements.

- Homeless Initiative.** The Executive Capital Commitment Plan includes \$20.6 million to renovate 200 NYCHA apartments to house homeless families as part of the Mayor's Homeless Initiative. This represents a \$5.2 million increase compared to the Preliminary Capital Commitment Plan. As of February 2017, renovations have been completed at 40 apartment units at three developments, including: Red Hook East (9 units) in Brooklyn; Redfern (16 units) in Queens; and Ocean Bay (15 units) in Queens. This work totaled \$1.8 million, comprised of \$639,844 in City funds, at an average renovation cost of \$213,294 per unit. A second tranche of apartment units are slated for renovation work from March 2017 to June 2017.
- Building Façades.** The Executive Capital Commitment Plan includes \$145 million for building façade repair work mandated under Local Law 11 of 1998, which represents a \$60 million increase compared to the Preliminary Capital Commitment Plan. The law requires 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 totaling \$211.1 million in Fiscal 2017 through Fiscal 2021 to complete the work. These funds include \$93 million in City tax-levy funds and \$118 million in CDBG funds. In total, \$356.1 million is provided to NYCHA from Fiscal 2017 through Fiscal 2021 in order to support the existing scope of building façade repair work at 399 buildings across 153 developments. A summary of the funding for façade work at NYCHA is provided below.

NYCHA Façade Repairs Funding Summary							
<i>Dollars in Thousands</i>	Agency	FY2017	FY2018	FY2019	FY2020	FY2021	TOTAL
Operating Funds	HPD						
City Tax-Levy Funds		\$69,678	\$23,351	\$0	\$0	\$0	\$93,029
CDBG Funds		0	59,415	19,507	19,558	19,558	\$118,038
<i>subtotal</i>		\$69,678	\$82,766	\$19,507	\$19,558	\$19,558	\$211,067
Capital Funds	NYCHA	\$85,000	\$30,000	\$10,000	\$10,000	\$10,000	\$145,000
<i>subtotal</i>		\$85,000	\$30,000	\$10,000	\$10,000	\$10,000	\$145,000
Total		\$154,678	\$112,766	\$29,507	\$29,558	\$29,558	\$356,067

- City Capital Funded Projects.** City Capital funding comprises approximately 12 percent of NYCHA's \$4.9 billion, 2017-2021 Capital Plan. As of December 31, 2016 there were 169 City Council funded Capital projects in NYCHA's portfolio totaling \$112.9 million, which includes: \$101.8 million from the City Council; \$7.8 million in Borough President allocations; and \$3.3 million in Mayoral capital funds. In addition, some of these projects receive additional funding from City, State and federal resources. For the period of July 1, 2016 to December 31, 2016,

City-funded Capital projects in Brooklyn and Manhattan receive the largest allocations as indicated by the table below.

City Capital Funding by Borough (In Thousands)	Amount
Bronx	\$42,817
Manhattan	37,400
Brooklyn	18,451
Staten Island	7,300
Queens	6,890
TOTAL	\$112,858

Appendix 1: 2017-2021 Adopted Operating Budget (All Funds)

NYCHA 2017-2021 Operating Budget (All Funds)					
<i>Dollars in Thousands</i>					
	2017	2018	2019	2020	2021
Revenues					
Revenues from Operations:					
Tenant Rental Revenue	\$1,053,094	\$1,076,924	\$1,086,063	\$1,094,889	\$1,103,792
Other Revenue from Operations	17,495	19,710	27,287	27,388	26,583
Total Revenue from Operations	\$1,070,589	\$1,096,634	\$1,113,350	\$1,122,277	\$1,130,375
Other Revenues					
Federal Subsidies	\$821,986	\$822,701	\$810,651	\$819,714	\$840,628
Debt Service Subsidies	360	285	230	180	131
Section 8 Phased Conversion	56,325	59,258	62,231	65,120	68,010
Capital Fund Reimbursements	12,697	4,697	4,697	4,697	4,697
Interest on Investments	4,726	5,932	6,099	6,099	7,242
Other	166,994	159,778	91,394	90,334	65,444
Categorical Grants	1,377	618	68	68	68
Section 8 Housing Assistance Payments	941,043	960,827	957,732	948,465	935,608
Section 8 Admin	76,406	76,411	75,498	74,314	73,063
City Funds	81,927	89,060	107,721	114,849	105,886
Total Other Revenues	\$2,163,841	\$2,179,567	\$2,116,321	\$2,123,840	\$2,100,777
Total Revenues	\$3,234,430	\$3,276,201	\$3,229,671	\$3,246,117	\$3,231,151
Expenditures					
Personal Service:					
Salary F/T	\$659,040	\$649,781	\$646,839	\$644,784	\$643,914
Salary P/T	1,670	1,170	918	252	0
Overtime	77,420	77,281	77,270	77,045	77,045
Shift Differential	978	976	976	976	976
Retro	227	227	227	227	227
Fringe	588,890	602,733	619,992	640,188	658,780
Other Salary	14,042	14,009	14,009	14,009	14,009
Total Personal Service	\$1,342,267	\$1,346,178	\$1,360,232	\$1,377,482	\$1,394,952
Other Than Personal Service:					
Leases	\$41,632	\$42,765	\$44,770	\$57,925	\$60,004
Supplies	69,820	67,943	67,858	66,377	66,377
Equipment	16,077	14,751	12,262	12,075	11,749
Utilities	529,868	535,166	540,518	545,923	551,382
Contracts	216,720	193,601	197,495	196,869	197,859
Debt Services	653	551	469	390	310
Insurance	40,513	38,586	61,913	65,502	69,372
OTPS Other	18,286	17,662	15,474	15,108	15,131
Section 8 Housing Assistance Payments	966,221	962,010	948,311	935,801	920,790
Total Other Than Personal Expenses	\$1,899,790	\$1,873,035	\$1,889,070	\$1,895,970	\$1,892,974
Total Expenditures	\$3,242,057	\$3,219,213	\$3,249,302	\$3,273,452	\$3,287,926
Surplus/(Deficit) before Reserves	(\$7,627)	\$56,988	(\$19,631)	(\$27,335)	(\$56,775)
HAP Reserve (HUD-HELD)	\$25,178	\$1,183	\$0	\$0	\$0
Admin Reserve	3,569	2,819	0	0	0
Total Reserves	\$28,747	\$4,002	\$0	\$0	\$0
Surplus/(Deficit) net of Reserves	\$21,120	\$60,990	(\$19,631)	(\$27,335)	(\$56,775)

Appendix 2: Fiscal 2018 Budget Actions in the Preliminary & Executive

NYCHA Additions in the City's FY2018 Preliminary Plan							
Operating Funds (FY2017-FY2021)	Agency	FY2017	FY2018	FY2019	FY2020	FY2021	Five-Year Total
CDBG	NYCHA	\$338	\$0	\$0	\$0	\$0	\$338
DoITT	NYCHA	550	550	0	0	0	1,100
Local Law 11 Compliance- Building Façades	NYCHA	81,527	37,792	0	0	0	119,319
City Operating	NYCHA	31,833	34,246	42,067	49,102	40,139	197,387
Labor Reimbursement	NYCHA	50,094	54,815	65,654	65,747	65,747	302,057
<i>subtotal</i>		\$ 164,342	\$ 127,403	\$ 107,721	\$ 114,849	\$ 105,886	\$ 620,201
<i>New Needs</i>							
None		0	0	0	0	0	-
<i>subtotal</i>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Adjustments</i>							
Realize Revenue for NYCHA BB	DOI	\$216	\$0	\$0	\$0	\$0	\$216
NYCHA Temporary Lights	Misc	1,802	1,043	392	393	392	4,022
Takedown NYCHA Funding	Misc	(3,670)	(216)	0	0	0	(3,886)
<i>subtotal</i>		\$ (1,652)	\$ 827	\$ 392	\$ 393	\$ 392	\$ 352
TOTAL, All Changes Prelim. 2018		\$ 162,690	\$ 128,230	\$ 108,113	\$ 115,242	\$ 106,278	\$ 620,553
NYCHA Additions in the City's FY2018 Executive Plan							
Operating Funds (FY2017-FY2021)	Agency	FY2017	FY2018	FY2019	FY2020	FY2021	Five-Year Total
<i>New Needs</i>							
Funding for NYCHA to operate 400 City-owned temporary light towers	Misc	\$0	\$3,250,575	\$3,250,575	\$3,250,575	\$3,250,575	\$ 13,002,300
Funding for the operation of 14 NYCHA senior centers in FY18	Misc	0	2,783,000	0	0	0	2,783,000
Fleet Consolidation	DCAS	0	238,000	238,000	238,000	238,000	952,000
<i>subtotal</i>		\$0	\$6,271,575	\$3,488,575	\$3,488,575	\$3,488,575	\$16,737,300
<i>Adjustments</i>							
NYCHA Misc. Budget Takedown	Misc	(\$434,396)	\$0	\$0	\$0	\$0	(\$434,396)
NYCHA Reallocation	Misc	(7,061,350)	7,061,350	0	0	0	0
NYCHA Budget Realignment	HPD	(47,215,834)	34,346,907	57,788,753	3,076,009	458,000	48,453,835
NYCHA Facade Reallocation	HPD	(2,277,312)	2,277,312	0	0	0	0
NYCHA Facades - CD funded	HPD	0	59,415,217	19,506,963	19,557,867	19,557,867	118,037,914
NYCHA Auto Commission	DCAS	33,756	0	0	0	0	33,756
EAP SERVICES FOR NYCHA	MAY	394,730	0	0	0	0	394,730
FY17NYCHA Inspector General	DOI	40,000	0	0	0	0	40,000
<i>subtotal</i>		\$(56,520,406)	\$ 103,100,786	\$77,295,716	\$22,633,876	\$20,015,867	\$ 166,525,839
TOTAL, All Changes Exec. 2018		\$(56,520,406)	\$ 109,372,361	\$ 80,784,291	\$ 26,122,451	\$ 23,504,442	\$ 183,263,139