

NYCHA Testimony – Tuesday, June 22, 2009

My name is Gale A. Brewer. I represent the Upper West Side and northern Clinton in the City Council. My district contains Wise Towers, De Hostos, 589 Amsterdam, WSURA Brownstones, DOME Site, Amsterdam Houses and Amsterdam Addition, and Harborview Family and Senior public housing developments. I want to begin by thanking the NYCHA Board and staff at 250 Broadway, but also those in the field. Your community service staff is wonderful, as is local management. Of course I am also partial to the resident leaders in Council District 6!

The New York City Housing Authority (NYCHA) which houses over 173,000 low income working families continues to face massive deficits in its operating budget. Its current deficit of \$45 million is anticipated to grow to upwards of \$130 million in the coming year. The rise of NYCHA's operating costs has been exacerbated by the loss of the operating subsidies long provided by federal, state, and city government. Federal operating subsidies have been reduced for an annual loss of \$137 million. The State and the City, for which NYCHA manages 15,000 state-financed and 6,000 city-financed units are ineligible for federal subsidies, and over the past ten years the federal government has totally eliminated its operating subsidies, for an annual loss of \$63 million to NYCHA. The City has since 2003 eliminated its operating subsidies, an annual loss of \$30 million.

In summary I strongly urge the federal government to take over and fund the state and city developments. In addition to the loss of subsidies, NYCHA is burdened with special payments it must make to the City annually. These payments include **\$26 million** in PILOT payments on its property, in fiscal year 2008, although many nonprofit organizations are typically exempt from

paying property taxes; \$100 million to the New York Police Department (NYPD) for special services which some resident leaders claim they do not receive, but which we do receive from the 20th Precinct and from PSA6; and \$30 million to the Department for the Aging for city services seniors should be eligible for without this additional payment and over \$268 million for water and sewage services from the city's department of environmental protection and about \$2.4 million for sanitation related services. Needless to say, the Memorandum of Understanding ("MOU") between NYCHA and NYPD has been discussed endlessly at hearings, and continues to support NYCHA by paying for police services. I think that a more creative resolution could be arrived at.

As part of their ongoing deficit reduction effort, NYCHA, which has already cut 2,500 staff positions over the last ten years, will lay off another 500 employees, with other cuts potentially necessary. These difficult cuts affect the operation and maintenance of NYCHA properties and management services provided to its residents. Further, NYCHA may not be able to renew its agreement with the Department for the Aging for senior services. Although the City, thanks to the City Council and Speaker Christine Quinn and Council Member Rosie Mendez in particular, have contributed \$18 million from the current annual budget for these services, there remains a \$12 million shortage which could sadly result in lost services and closed community centers.

To further reduce their deficit, NYCHA has proposed a modification to its Annual Plan for FY 2009 which includes a rent increase for their highest income tenants. As proposed, "28 percent of NYCHA households, or 49,374 households who pay on average 20 percent of their income for

rent, will have their rent adjusted over two years”. Households who pay 30 percent of their income for rent will not be affected by this plan.

As proposed, the Targeted Rent Initiative would be applied in three income bands determined by household income relative to Area Median Income. Households with incomes less than 60 percent of AMI, between 60 and 80 percent of AMI, and greater than 80 percent of AMI, would be assessed increases of 5 percent, 10 percent, and 15 percent, respectively, in each of the two years. In an example provided to my office by NYCHA, a family in a two bedroom apartment with a household income of \$50,000 which currently pays \$599 for rent would face a \$60 increase in year one and a \$66 increase in year two.

Though I understand the challenge this deficit poses for NYCHA, I do not believe that the burden of erasing it should fall so heavily on its residents. As such, I am in agreement with the recommendations presented by the Community Service Society (CSS) and Legal Aid Society, and I do not support this proposed rent increase. This increase is unfair to public housing residents in that both the state and city government do not pay their fair share of operating subsidies. I find this particularly troublesome in light of the over \$120 million that the city receives annually in payments from NYCHA. Yes, the State did pass legislation last year that provides shelter allowances to NYCHA equal to those provided in the private sector, but the State does not fund the 15 State developments, several of which are in my district. (There are 6 City NYCHA developments with the same funding deficit).

There are creative options to address the deficit. Los Angeles waives the PILOT payments. If the City of New York does not agree to a waiver, we could work out an agreement that changes the formula by which the PILOT is calculated so that the cost of running and maintaining the community centers is subtracted from NYCHA's PILOT payment. Closing well-run community centers is not an option.

Also, Borough President Stringer issued a report asking NYCHA to plan carefully for its assets of land and air rights, and pointing out that they are worth millions of dollars. Planning should include participation from residents and the community.

Instead of supporting these increases I agree that both the state and city must enact legislation to relieve NYCHA's structural deficit and eliminate or reduce its service payments to the city.

In addition, the federal government should reinstate full funding for operating subsidies to NYCHA. We are hopeful that the incoming administration will be supportive of public housing and restore its operating subsidies, but in the past many Republicans and Democrats in Congress have been luke warm in their advocacy for public housing funds. I am also aware that with HOPE VI monies and others initiatives other cities tore down their older public housing and built mixed use buildings, decimating the political force of public housing residents and making New York City one of the few municipalities that did not demolish. I am glad that we did not tear down buildings but we don't have as many allies across the nation with similar housing stock in need of capital dollars as we did in the past. As long as the Dept. of Defense is sucking up billions of capital funds for war related efforts, it is hard to rely on Washington for money. In the

foreseeable future, I think that the state and the city have to fund public housing; it is a resource that we must maintain.