

THE COUNCIL OF THE CITY OF NEW YORK

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Hon. Alicka Ampry-Samuel
Chair, Committee on Public Housing

Hon. Vanessa Gibson
Chair, Subcommittee on Capital Budget



Report of the Finance Division on the
Fiscal 2020 Preliminary Plan, 2019 Adopted Operating Budget, 2019-2023 Adopted Five-
Year Capital Plan, Fiscal 2020-2029 Ten-Year Capital Strategy, Fiscal 2020 Preliminary
Capital Budget, Fiscal 2020 Preliminary Capital Commitment Plan, and the Fiscal 2019
Preliminary Mayor's Management Report for the

New York City Housing Authority

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New York City Housing Authority Overview

The New York City Housing Authority (NYCHA or the Authority) provides affordable housing to nearly 400,000 low-and moderate-income City residents by managing and maintaining 324 public housing developments comprised of 2,417 buildings that consist of over 175,000 apartment units in the five boroughs. Through federal rent subsidies (Section 8 Leased Housing Program), the Authority assists over 86,000 families in locating and renting housing in privately owned buildings. In addition, the Authority facilitates access to critical social services to residents in their communities.

Mission & Service Areas



NYCHA's activities include:

- Manages affordable housing assets comprised of 2,417 public housing buildings;
- Provides low- and moderate-income New Yorkers with safe and affordable housing;
- Facilitates access to social and community services;
- Pursues development opportunities to generate revenue;
- Implements ten-year strategic action plans ("Next Generation NYCHA") and "NYCHA 2.0";
- Administers affordable housing programs for over 86,000 low-income tenants;
- Performs inspections and resolves work orders for maintenance and repairs;
- Performs inspections and resolves emergency work orders;
- Provides employment opportunities for NYCHA residents;
- Preserves and rehabilitates affordable housing;
- Monitors and evaluates performance and operating service levels;
- Manages and performs infrastructure improvements of public housing units; and
- Conducts asset management and physical needs assessments.

2018 Year-End Financial Plan Summary

The 2018 Year-End Operating Budget for NYCHA reflects an overall deficit of \$25.1 million for the last quarter in 2018, a decrease of approximately \$37.1 million from the \$12 million surplus originally projected in the 2018 Adopted Operating Plan. NYCHA's budget is not part of the City's budget and NYCHA's fiscal year follows the calendar year. On December 19, 2018, the NYCHA Board approved its five-year 2019-2023 Operating and Capital Plans, which for 2019 projects an overall surplus of \$33.3 million. The surplus is attributable to operating support from the City and several revenue generating strategies related to *NextGeneration NYCHA*, a ten-year strategic action plan that has 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.

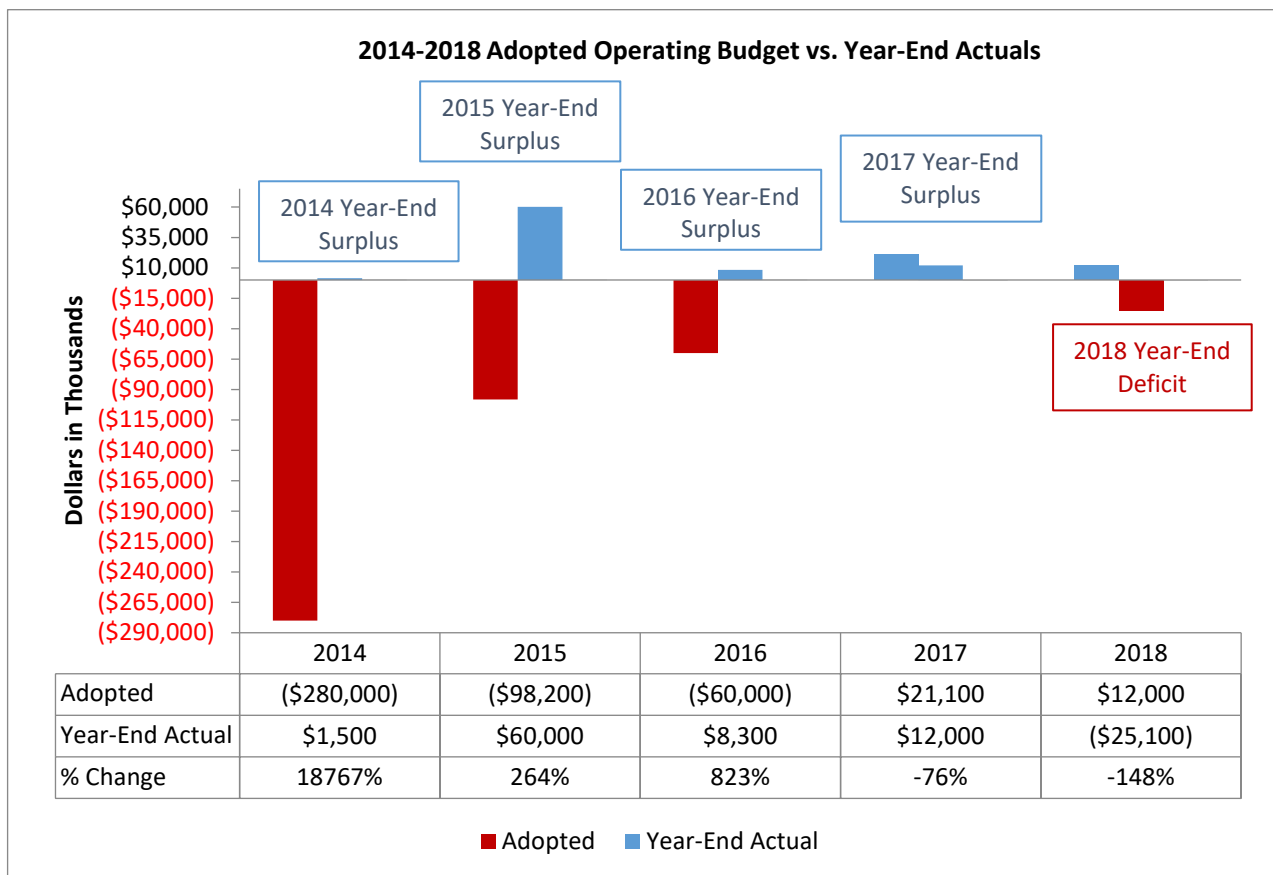
NYCHA Financial Plan Summary 2019-2023 Operating Budget (All Funds)						
<i>Dollars in Millions</i>	2018 Year End	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Revenues						
Tenant Rental Revenue	\$1,048.0	\$1,046.5	\$1,044.9	\$1,045.6	\$1,054.0	\$1,062.6
Federal Subsidies	2,077.3	2,111.7	2,122.2	2,215.5	2,240.2	2,272.9
Other Revenue	181.1	351.7	259.8	261.7	252.2	239.5
Total Revenues	\$3,306.4	\$3,509.9	\$3,426.9	\$3,522.8	\$3,546.4	\$3,575.0
Expenditures						
Personal Service	\$1,301.2	\$1,345.4	\$1,382.4	\$1,411.5	\$1,428.0	\$1,441.8
Other Than Personal Service	2,030.4	2,131.2	2,111.6	2,203.5	2,210.6	2,220.6
Total Expenditures	\$3,331.6	\$3,476.6	\$3,494.0	\$3,615.0	\$3,638.6	\$3,662.4
Surplus/(Deficit)	(\$25.1)	\$33.3	(\$67.1)	(\$92.2)	(\$92.2)	(\$87.4)

2019-2023 Operating Plan Summary

NYCHA's total revenues for 2019 are approximately \$3.5 billion. About \$1.1 billion, or 31 percent, of NYCHA's Fiscal 2019 budget is comprised of tenant rental revenue. Revenue from federal sources accounts for approximately \$2.1 billion, or 60 percent of NYCHA's total revenue. Total other revenue, which includes \$288.3 million in City funds, is projected to be about \$351.7 million in 2019. NYCHA's total expenditures for 2019 are approximately \$3.5 billion. About \$1.3 billion, or 37 percent of NYCHA's Fiscal 2019 expenditures is comprised of Personal Services (PS), including salaries and fringe benefits. Section 8 Housing Assistance Payments account for 30 percent, or \$1.02 billion of the total Other Than Personal Service (OTPS) expenditures. The 2019 Adopted Operating Budget projects an overall deficit of \$67.1 million beginning in 2020, which grows to \$87.4 million by 2023.

Operating Budget Deficits

Historically, NYCHA’s Operating Budget assumes deficits at the time it is Adopted and is adjusted throughout the year as additional funds are received from City, State and federal sources. NYCHA continues to experience a structural operating deficit stemming from ongoing federal underfunding, as well as uncontrollable PS costs such as pension and health benefits related expenses. However, NYCHA’s long-term fiscal condition has improved significantly in recent years with financial assistance from the City and through the implementation of *NextGeneration* initiatives, which have diversified revenue streams and reduced expenses, mainly personal services costs. Most notably, in 2014 the City provided payment forgiveness resulting in about \$100 million in long-term annual savings for NYCHA. These annual operating savings include: \$70 million from the forgiveness of payments to the New York Police Department (NYPD) for special patrols at NYCHA developments; and \$33 million from the forgiveness of payments to the City for Payments in Lieu of Taxes (PILOT). These operational savings carried over into the outyears and aided the Authority in closing its’ operating deficit through 2017. However, in 2018, NYCHA’s Year-End Operating Budget reflected a \$25.1 million operating deficit. Additionally, the 2019-2023 Adopted Operating Plan projects a deficit of \$67.1 million beginning in 2020, which increases in the outyears. The below chart shows the projected total annual surplus/deficit of the Adopted Operating Plan compared to year-end actuals from 2014-2018.



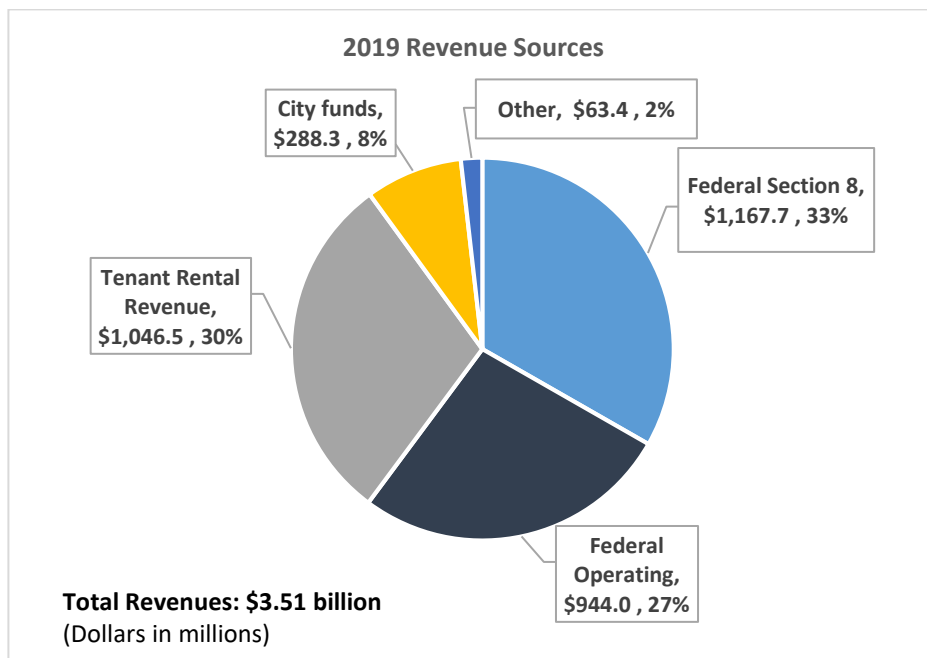
2019 Operating Plan Summary

The 2019 Adopted Operating Plan includes these key actions outlined below for NYCHA.

- **Neighborhood Rat Reduction.** City funds of \$3.5 million are added in Fiscal 2019 for OTPS costs related to a neighborhood rat reduction program at 10 NYCHA developments. These developments will receive dry-ice abatement treatments, full-time exterminators, trash bins for residents and new concrete floors. This effort is a part of a larger, \$32 million citywide initiative to reduce the rat population by as much as 70 percent in the most infested neighborhoods, including: the Grand Concourse area in the Bronx, Chinatown/East Village/Lower East Side in Manhattan and Bushwick/Bedford-Stuyvesant area in Brooklyn.
- **LeadFreeNYC.** The 2019 Adopted Plan provides \$88 million to support testing and inspections of 135,000 NYCHA apartments built before 1978 where lead-based paint hazards may exist. This work is part of the recently announced LeadFreeNYC initiative, which seeks to eliminate childhood lead exposure citywide by expanding mandates under Local Law 1 of 2004, reducing the amount of lead in paint and dust that triggers remediation and abatement; reducing lead exposure risks from soil by surveying NYCHA playgrounds to cover exposed soil when needed; and increasing compliance and enforcement activities. By mid-2019, as tests are completed, NYCHA will issue monthly reports of “Lead Free” units on its website.
- **Next Generation 2.0.** In December 2018, the City announced “NYCHA 2.0,” a comprehensive, ten-year plan to renovate and preserve NYCHA developments and resolve \$24 billion in capital needs across its portfolio. NYCHA 2.0 is comprised of four major programs: PACT to Preserve, Build to Preserve, Transfer to Preserve, and Fix to Preserve. PACT to Preserve will convert the funding of 62,000 apartments to the federal Section 8 program, thereby facilitating about \$12.8 billion in capital repairs through public-private partnerships. Build to Preserve will provide an estimated \$2 billion in capital repairs through new development on underutilized NYCHA land, while Transfer to Preserve will provide \$1 billion in capital repairs through the sale of unutilized development rights, also known as air rights. Fix to Preserve will improve services, infrastructure maintenance, and immediately address health and safety issues including heating, mold, pests, and lead. This funding, on top of the expected \$8 billion in federal, State and City capital funds over a ten-year period, will enable the Authority to address nearly \$24 billion in capital needs, or up to 75 percent of NYCHA’s \$31.8 billion overall capital need.
- **Administrative Agreement.** In January 2019, the U.S. Department of Housing and Urban Development (HUD) entered into an administrative agreement with the U.S. Attorney’s Office of the Southern District of New York (SDNY), NYCHA and the City. The agreement requires NYCHA to remediate living conditions at developments citywide by specific deadlines and meet strict compliance standards regarding lead paint hazards, mold growth, pest infestations, and inadequate heating and elevator service. In total, \$2.2 billion is provided from Fiscal 2019-2028 for critical repairs to meet the terms of the agreement. The 2019 Adopted Plan also provides \$2 million for the creation of a Compliance Department, an Environmental Health and Safety Department, and a Quality Assurance Unit within NYCHA. Pursuant to the Agreement, a federal monitor, selected in February 2019, will oversee NYCHA’s reform efforts.

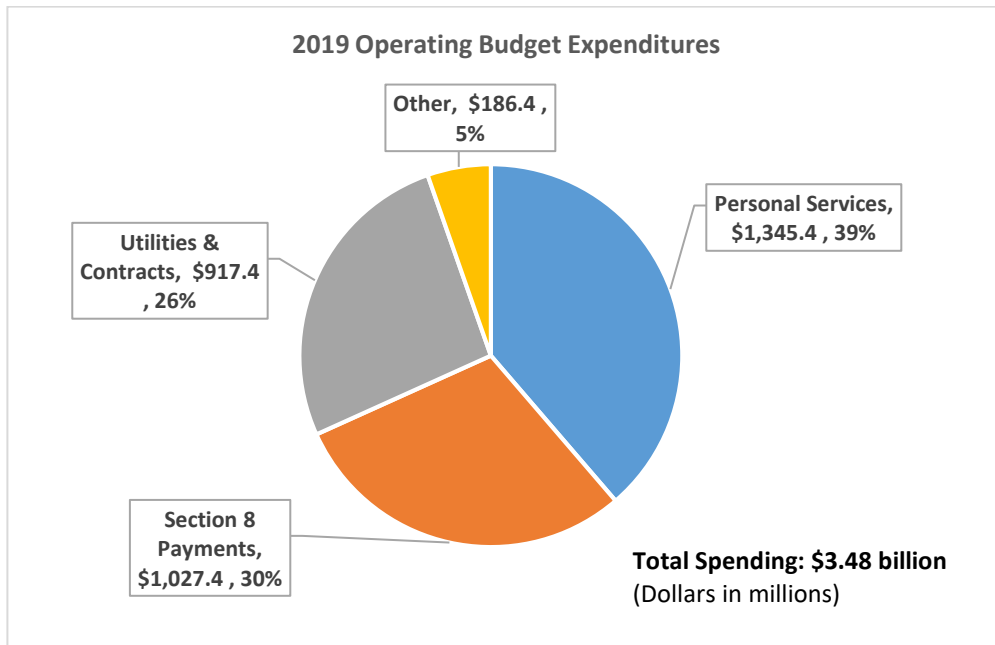
2019 Revenue Sources

NYCHA’s total revenues for 2019 are approximately \$3.51 billion. About \$2.11 billion, or 60 percent of the Authority’s Operating Budget in 2019, is supported by federal assistance programs. One of the primary sources of revenue for the Authority is tenant rental revenues, which will total \$1.05 billion in 2019. As of January 2019, NYCHA reported a 90 percent rent collection rate. However, in the 2019 Adopted Operating plan, tenant rental revenue is projected to increase to \$1.06 billion by 2023 due to several *NextGeneration* strategies proposed to increase rent collection rates. Revenue from the Section 8 Housing Choice Voucher program accounts for approximately \$1.17 billion, or 33 percent of NYCHA’s total revenue. Under this program, NYCHA pays HUD subsidies to participating landlords on behalf of eligible tenants. These tenants are currently paying rents generally equal to 30 percent of family adjusted income and the subsidies fill the gap between the contract rent and rental payments. Federal operating subsidies account for 27 percent of the Authority’s operating revenues, or \$944 million in 2018. City operating funds are projected to be about \$288.3 million in 2019.

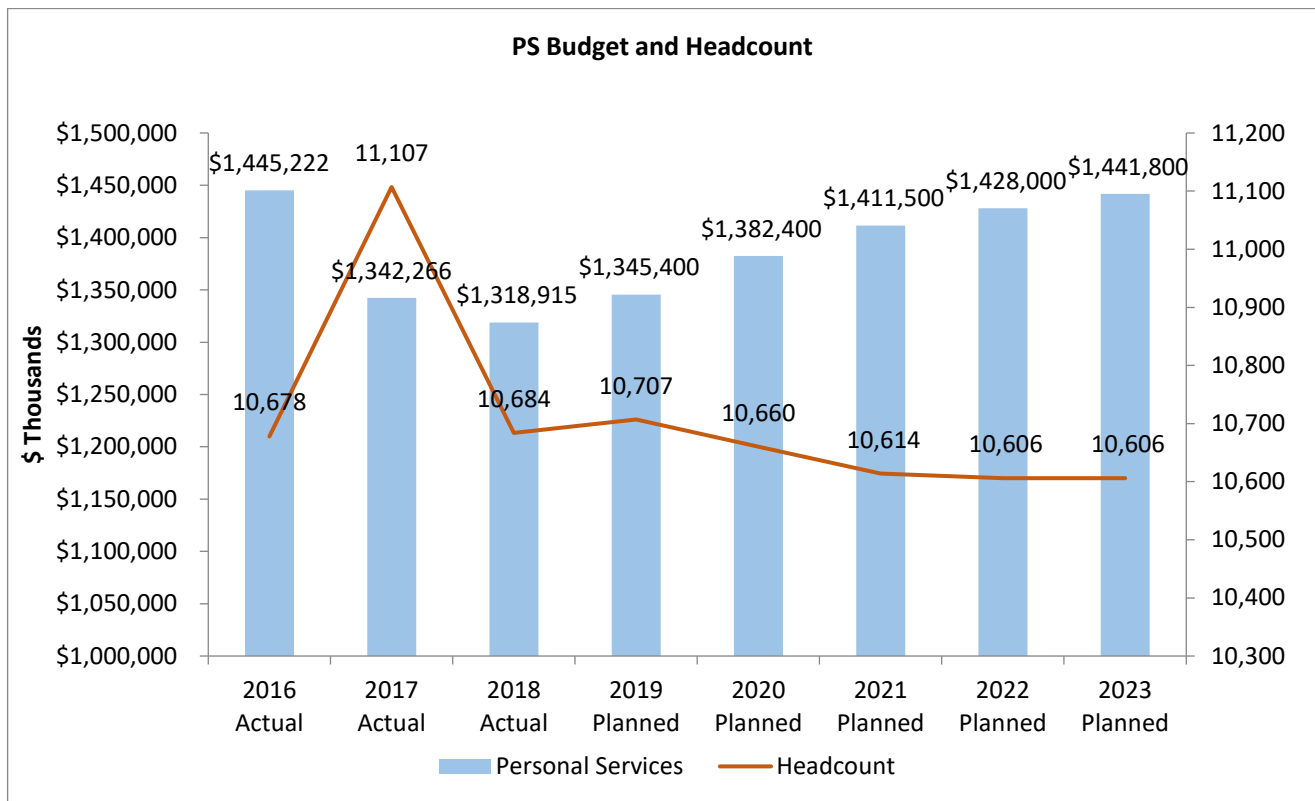


2019 Expenditures

NYCHA’s total expenditures for 2019 are approximately \$3.48 billion. About \$1.3 billion, or 39 percent of NYCHA’s Fiscal 2019 expenditures is comprised of PS costs, including salaries, fringe benefits and paid overtime. Section 8 Housing Assistance Payments account for 30 percent, or \$1.03 billion of the total expenditures. Utilities and contract payments account for 26 percent of the Authority’s operating expenditures, or \$917.4 million in 2019. Contracts include third-party services payments for painting, floor tiling, elevator maintenance, fire safety, environmental services, marshal fees, security services, energy contracts, automotive services, office equipment rentals, information technology software, telecommunications services, and other professional services.



Headcount



The Authority’s 2019 Adopted Operating Plan supports a workforce of 10,707 positions, an increase of 23 positions from the 2018 Adopted Plan. As of March 2019, the current financial headcount of 10,707 positions is comprised of about 5,200 administrative staff and 5,500 frontline staff, such as maintenance workers, caretakers, and skilled trade persons that provide essential services at NYCHA developments. By 2023, NYCHA headcount is expected to decrease slightly by 101 positions, from

10,707 positions in 2019 to 10,606 positions in 2023. Over the same period of time, annual expenses are estimated to increase by about \$96.4 million, or by approximately seven percent, from \$1.3 billion in 2019 to \$1.4 billion in 2023, which is mainly driven by the growing cost of pension and health-related expenses. 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 2018, NYCHA generated about \$42 million in savings in personnel costs through reductions and the transition of central office staff to other agencies. Since 2013, the total headcount has decreased by about 900 positions.

City-Funded Initiatives

Mayoral Initiatives

In recent years, the Administration has relieved NYCHA from several City payments and provided funding for various initiatives so that money can be redirected towards operations, repairs and maintenance. The City's Fiscal 2020 Preliminary Budget provides an outlay of \$177.9 million in City Operating funds for the Fiscal 2019-2023 period for ongoing operating costs and other core services at NYCHA. The Preliminary Budget includes \$20.3 million in Fiscal 2019 for a neighborhood rat reduction program, collective bargaining adjustments and residential programming enhancements.

NYCHA Additions in the City's FY2020 Preliminary Budget							
Operating Funds (FY2019-FY2023)	Agency	FY2019	FY2020	FY2021	FY2022	FY2023	Five-Year Total
Dollars in thousands							
<i>New Needs</i>							
Neighborhood Rat Reduction program	HPD	\$3,521	\$246	\$246	\$246	\$246	\$4,505
subtotal		\$3,521	\$246	\$246	\$246	\$246	\$4,505
<i>Adjustments</i>							
Brownsville Center Realignment	DYCD	(\$250)	\$0	\$0	\$0	\$0	(\$250)
Collective Bargaining Adjustment	HPD	0	476	476	476	476	1,903
DC 37 Collective Bargaining	DYCD	12	20	23	23	23	101
DC37 Collective Bargaining	HPD	10,052	27,339	37,987	43,117	45,939	164,433
FY19 NYCHA City Council Member Item Reallocations	HPD	172	0	0	0	0	172
Lights Funding Transfer	HPD	2,807	0	0	0	0	2,807
Manager & OJ Titles	DYCD	14	24	28	28	28	122
NYCHA Reallocate Funding	HPD	0	0	0	0	0	0
OJs and Managers Collective Bargaining	DCAS	3	5	6	6	6	28
OJs and Managers Collective Bargaining (OC) - OLR	Mayoralty	7	11	13	13	13	57
SAF - ITB NYCHA FY18 Rollover	NYPD	545	0	0	0	0	545
SAF ITB NYCHA	NYPD	3,385	0	0	0	0	3,385
Saturday Sessions	DYCD	78	0	0	0	0	78
Various Collective Bargaining	DOI	4	7	8	8	8	35
subtotal		\$16,828	\$27,883	\$38,541	\$43,671	\$46,493	\$ 173,415
Total		\$ 20,349	\$ 28,129	\$ 38,787	\$ 43,917	\$ 46,739	\$ 177,920

Council Initiatives

In Fiscal 2019, the City Council provided \$971,500 to support NYCHA's annual operating budget. This funding was directly allocated by Council Members to support residential programming and community engagement activities at NYCHA developments citywide.

Fiscal 2019 Council Changes at Adoption	
<i>Dollars in thousands</i>	
Council Initiatives	
Anti Poverty	\$54,000
Diversity, Inclusion & Equity in Tech Initiative	90,000
Parks Equity Initiative	10,000
Senior Centers, Programs, and Enhancements	30,000
Support Our Seniors	97,000
Subtotal	\$281,000
Local Initiatives	\$690,500
TOTAL	\$971,500

Performance Indicators

Maintenance and Repairs

NYCHA estimates that the cost to complete deferred maintenance and repair to apartment interiors is approximately \$3,000 per unit. As of January 2019, there are 256,920 open work orders citywide across NYCHA's portfolio; this is larger than the Authority's manageable workload of about 90,000 work orders. Through a recently announced rapid repairs initiative, NYCHA Cares, the Authority estimates that by 2021, over 75,000 back-logged work orders will be closed. The indicators below measure efficiencies and effectiveness of maintenance and repairs at NYCHA.

PMMR Highlights

NYCHA Performance Indicators	Actual			Target		4-Month Actual	
	FY16	FY17	FY18	FY19	FY20	FY18	FY19
Average time to resolve emergency service requests (hours)	13.1	12.1	13.1	24	24	9	10.6
Average time to resolve non-emergency service requests (days)	14.7	17.5	18.6	15.0	15.0	18.8	18.3
Average time to resolve heat service requests (hours)	17.3	14.9	16.8	24.0	24.0	18.7	13.7
Average time to resolve elevator outages (hours)	8.7	9.6	10.3	10	10	9.7	12.8
Average outage per elevator per month	1.13	1.06	1.07	1.01	1.01	1.13	1.3
Elevator service uptime	98.6%	98.6%	98.5%	97%	97%	98.5%	97.8%
Alleged elevator injuries reported to DOB	20	11	7	DOWN	DOWN	3	3
Elevator related fatalities	2	0	0	DOWN	DOWN	0	0
Management cost per dwelling unit (\$)	\$875	\$950	\$978	\$875	\$875	\$903	\$952

- The average time to resolve non-emergency service requests in the first four months of Fiscal 2019 decreased slightly to 18.3 days, compared to 18.8 days during the Fiscal 2018 reporting period.
- At the same time, the average time to resolve emergency service requests increased slightly, from 9 hours in the first four months of Fiscal 2018, to 10.6 hours in the same period during Fiscal 2019.

However, the average time to resolve heat service requests improved from 18.7 hours in Fiscal 2018 to 13.7 hours in Fiscal 2019.

- The average time to resolve elevator outages increased to 12.8 hours in Fiscal 2019 compared to 9.7 hours in the prior year. While the average elevator outage per elevator remained relatively steady at 1.3 per month.
- The management cost per dwelling unit increased by \$49 in the first four months of Fiscal 2019 compared to the first four months of Fiscal 2018.

Applicants Placed in Housing

Approximately 5,000 apartments become available each year inside developments managed by NYCHA, which translates to a vacancy rate of less than one percent. In addition, as of May 2018, there are 209,180 families on the public housing waitlist. In 2017, the Authority began to dedicate 1,500 public housing units per year for homeless families referred by the New York City Department of Homeless Services (DHS). In 2018, NYCHA began to dedicate an additional 750 apartments in public housing to homeless families. In exchange for these additional set-asides, the City will provide NYCHA with about \$12,000 in operating subsidy per homeless family placed in NYCHA housing, which is the same level of subsidy it provides to private landlords to house homeless families. Between Fiscal 2016-2018, NYCHA placed an average of 2,797 homeless applicants per year in public housing. The indicators below measure efficiencies and effectiveness of NYCHA's placements of public housing and homeless applicants.

PMMR Highlights

NYCHA Performance Indicators	Actual			Target		4-Month Actual	
	FY16	FY17	FY18	FY19	FY20	FY18	FY19
Applicants placed in public housing	4,211	3,834	3,748	*	*	1,389	1,009
Homeless applicants placed in housing	2,868	2,841	2,683	*	*	813	768

- The number of public housing applicants placed in NYCHA housing decreased by 27 percent during the first four months of Fiscal 2019, from 1,389 in Fiscal 2018 to 1,009.
- During the reporting period, NYCHA prioritized the placement of 768 homeless families into public housing as a part of the Administration's initiative to end homelessness.

Section 8 Placements

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 86,000 eligible families through a network of over 28,000 landlords. As of May 2018, NYCHA administers approximately 85,619 vouchers and there were 148,084 families on the Section 8 waitlist. The indicators below measure efficiencies and effectiveness of NYCHA's placements of Section 8 applicants.

PMMR Highlights

NYCHA Performance Indicators	Actual			Target		4-Month Actual	
	FY16	FY17	FY18	FY19	FY20	FY18	FY19
Section 8	1,448	913	997	*	*	198	308
Working families residing in public housing (cumulative) (%)	0	0	0	*	*	NA	NA
Families on Section 8 waiting list (000)	119	148	141	*	*	149	141
Maximum allowable Section 8 vouchers	99,621	99,838	101,254	*	*	99,861	101,254
Funded Section 8 vouchers	86,221	85,209	86,628	*	*	85,271	86,628
Utilization rate for funded Section 8 vouchers (%)	98.80%	100%	99%	97%	97%	99%	98%
Funding utilization for Section 8 vouchers (%)	98.00%	101%	101%	*	*	102%	97%
Section 8 occupied units (vouchers)	85,224	85,175	84,994	87,000	87,000	84,761	85,117
Biennial Section 8 inspections	78%	80%	98%	*	*	99%	96%
Annual Section 8 recertifications	98%	98%	99%	*	*	98%	99%
Applicants placed through Section 8 vouchers	1,706	2,758	1,735	*	*	458	613

- The number of Section 8 occupied units (vouchers) increased from 84,761 during the first four months of Fiscal 2018 to 86,628 in Fiscal 2019.
- The number of housing applicants placed through Section 8 vouchers increased 34 percent from 458 during the first four months of 2018 to 613 over the same four-month period in Fiscal 2019.
- Relatedly, the amount of funded Section 8 vouchers also increased from 85,271 during the first four months of 2018 to 86,628 over the same four-month period in Fiscal 2019.

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 providing 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. (See Appendix C for a list of centers.) The City's Fiscal 2019 Executive Plan included \$3.1 million in funding for the ongoing operating support for the remaining 14 centers until June 30, 2019. The Fiscal 2020 Preliminary Plan does not provide funding that would sustain these services past Fiscal 2019. The indicators below measure efficiencies and effectiveness of senior services at NYCHA.

NYCHA Performance Indicators	Actual			Target		4-Month Actual	
	FY16	FY17	FY18	FY19	FY20	FY18	FY19
Referrals to supportive social services rendered to senior residents	53,763	18,317	20,813	*	*	9,101	4,569
NYCHA-operated senior centers	15	14	14	*	*	14	14
Utilization of senior centers (%) ages 60+	116%	160%	132%	85%	85%	137%	142%

- The number of referrals to supportive services rendered to senior residents decreased 50 percent from 9,101 during the Fiscal 2018 reporting period to 4,569 in Fiscal 2019. During the reporting

period, there was a reduction in staffing that resulted in a decrease in supportive services and impacted the number of referrals.

- However, the utilization of senior centers by NYCHA residents and community members over the age of 60 increased from 137 percent in Fiscal 2018 to 142 percent in Fiscal 2019.

Mayor's Action Plan for Neighborhood Safety

In July 2014, the Administration announced The Mayor's Plan for Neighborhood Safety (MAP), a \$210.5 million investment and multi-agency effort to address public safety concerns and promote crime reduction in 15 housing developments that drive 20 percent of NYCHA's violent crime. The indicators below measure the effectiveness of various security measures as part of MAP.

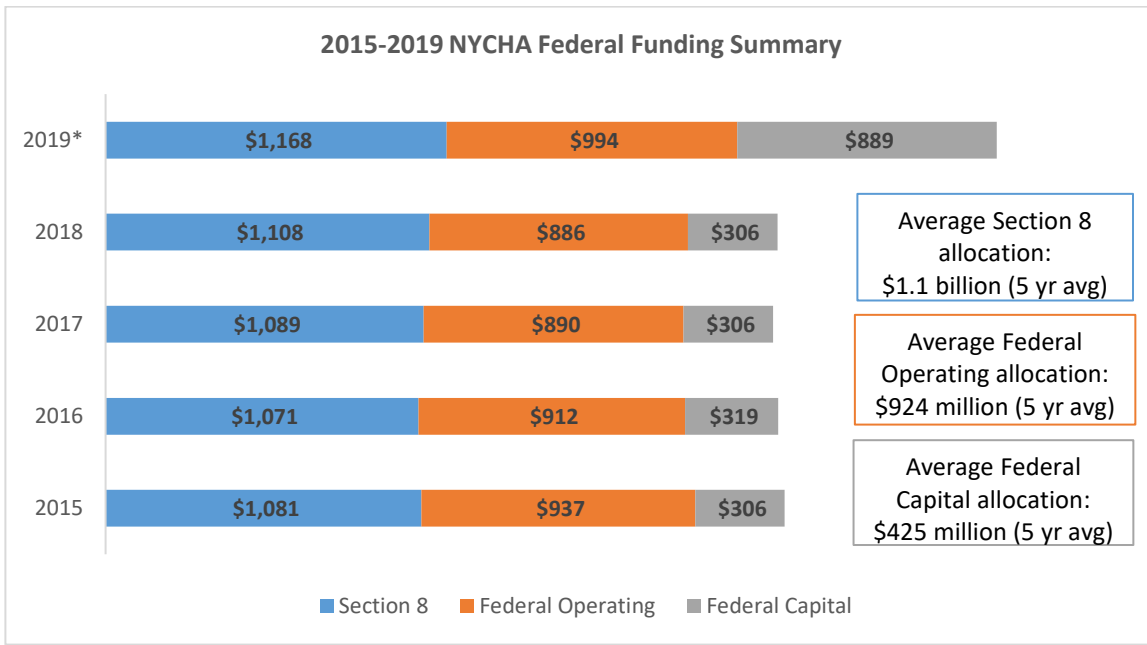
Crime Statistics in the 15 MAP Developments				
	FY18 Actual	July- Oct 2017 (FY18 Actual)	July- Oct 2018 (FY19 Actual)	% Change
Violent crime	778	287	269	(6%)
Shootings	558	202	192	(5%)
Total index crimes	22	5	9	80%

- The total crime index increased by 80 percent from five during the Fiscal 2018 reporting period to nine in Fiscal 2019.
- However, the number of incidents related to violent crime decreased marginally from 287 during the Fiscal 2018 reporting period to 269 in Fiscal 2019. In addition, the number of shootings also decreased by five percent during the reporting period.

Federal & State Issues

Federal Funding Summary

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 annually from the federal government for its public housing and Section 8 programs, and about \$300 million annually for its capital program, as demonstrated in the chart below. Based on estimated 2019 Housing Assistance Payment (HAP) expenditures of \$1.11 billion, NYCHA expects HAP renewal funding of \$1.12 billion in 2019 for the Section 8 program. Although, future federal funding levels remain uncertain, on March 11, 2019, the federal Office of Management and Budget released the President's Federal Fiscal Year 2020 Budget Request. This budget requests \$44.1 billion for HUD, which would reflect a 16.4 percent decrease in funding for housing programs nationwide compared to current funding levels.



*2019 figures based on annual appropriations or renewal funding.

Federal Funding Risks

The 2019 Operating Plan assumes \$1.2 billion in federal operating subsidies for the Section 8 program, \$944 million in federal operating funds (Section 9) and \$889 million in federal capital funds, which comprises 60 percent of the Authority’s operating budget and 25 percent of the Authority’s capital budget in the current year. Under the President’s Federal Fiscal Year 2020 Budget proposal, a number of federally-funded housing programs are slated for elimination or deep cuts, which would significantly impact housing operations in New York City. Several housing programs administered by NYCHA would be significantly reduced or eliminated, including the Public Housing Capital Fund (100 percent elimination) and the Public Housing Operating Fund (40 percent reduction). In addition, funding for the Section 8 program would be reduced by \$354 million, which would result in insufficient Tenant Protection Voucher funding to meet NYCHA’s conversions needs outlined in NYCHA 2.0. However, as the federal government is currently funded under continuing resolutions, this has so far spared the City the cuts proposed in the President’s Fiscal 2018 and Fiscal 2019 budget requests during this federal session. The current continuing resolution is scheduled to expire on September 30, 2019, as such, any negative funding impacts to New York City’s housing programs are not yet known.

State Funding for NYCHA Capital Repairs

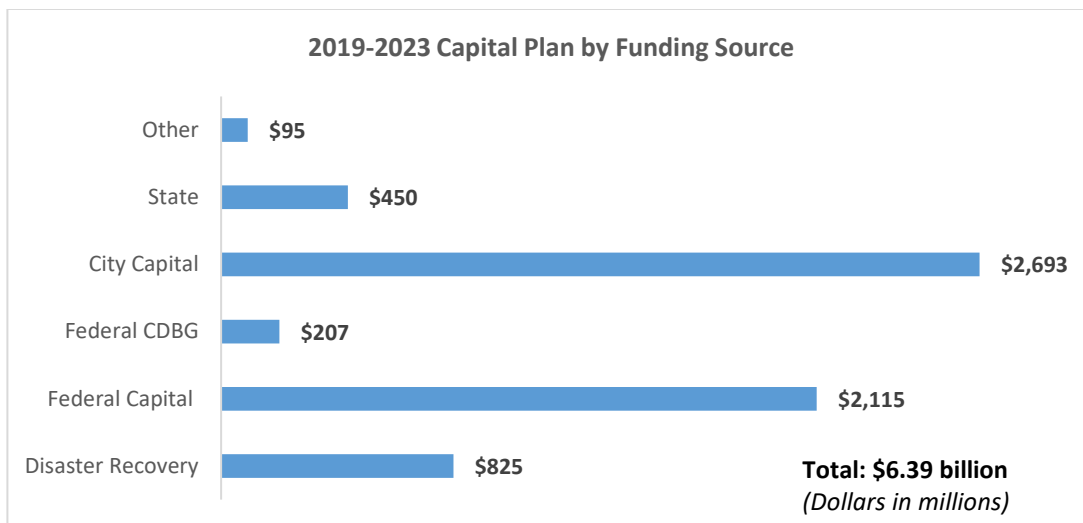
Although NYCHA is a State Chartered Authority, the State only sporadically allocates money for capital projects at NYCHA. In the 2016 State Enacted Budget, the State provided the first major capital investment to NYCHA in decades totaling \$100 million which funded smaller capital projects, security upgrades and grounds improvements. These funds require NYCHA and the Dormitory Authority of the State of New York (DASNY) to develop a spending plan, which is subject to approval by New York State Homes and Community Renewal (HCR). Most recently, the 2018 State Enacted Budget included \$200 million for capital repairs at NYCHA and the 2019 State Enacted Budget included an additional \$250 million for critical repairs. However, on April 2, 2018, Governor Cuomo issued an Executive Order declaring a State Disaster Emergency for NYCHA complexes. The provisions of the Order provide for the deployment of up to \$550 million in emergency state resources, following the appointment of an independent monitor to oversee the spending. The available funding is meant to repair boilers,

remediate mold and lead, and address other critical issues in NYCHA. On February 21, 2019, HUD and SDNY selected an independent monitor to oversee core NYCHA functions, pursuant to the HUD administrative agreement. However, to date, State Capital funds for NYCHA have not yet been released. The 2020 State Executive Budget does not include any additional capital funds to NYCHA, but instead, re-appropriates \$450 million previously allocated to NYCHA for critical capital repairs; this includes \$200 million appropriated in Fiscal 2018 and \$250 million in Fiscal 2019. The table below provides a funding summary of State Capital funds to NYCHA.

New York State Funding Summary Fiscal Years 2016- 2020 (\$ in 000s)						
New York State Housing Program	FY 16 Enacted Budget	FY 17 Enacted Budget	FY 18 Enacted Budget	FY 19 Enacted Budget	FY 20 Executive Budget	TOTAL
NYCHA Modernization Improvement Program	\$100,000	\$0	\$200,000	\$250,000	\$0	\$550,000

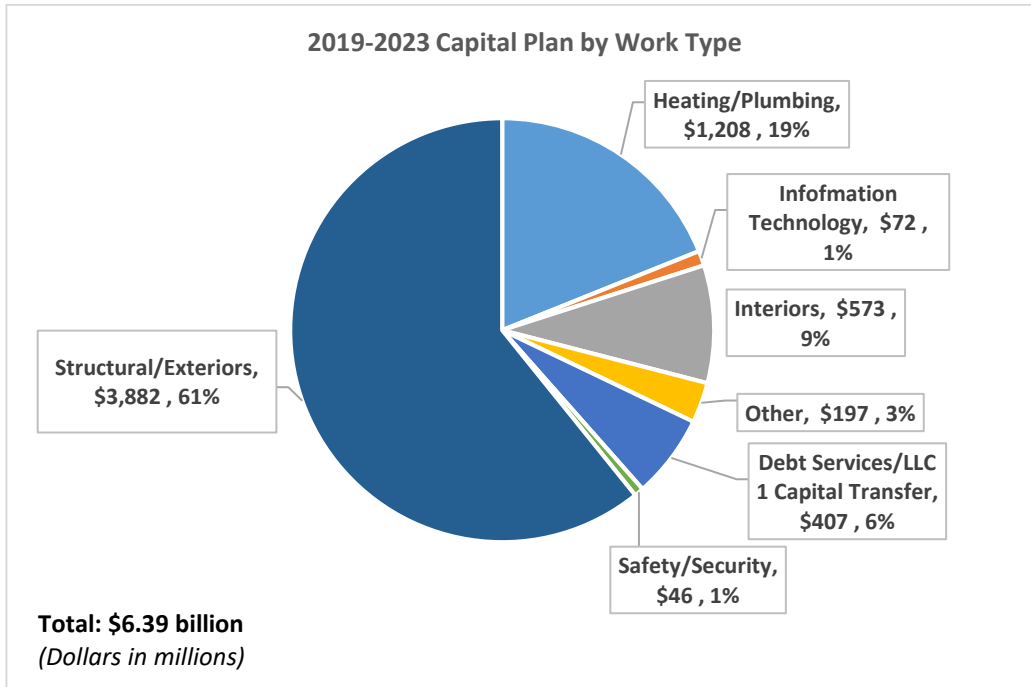
2019-2023 Capital Plan

NYCHA’s 2019-2023 Capital Plan provides approximately \$6.4 billion in planned commitments for infrastructure improvements, major modernization, systemic upgrades, repair, resiliency, and fortification of developments damaged by Superstorm Sandy. The Plan is based on the current federal capital funding outlook, and relies on the near-term implementation of NYCHA initiatives.



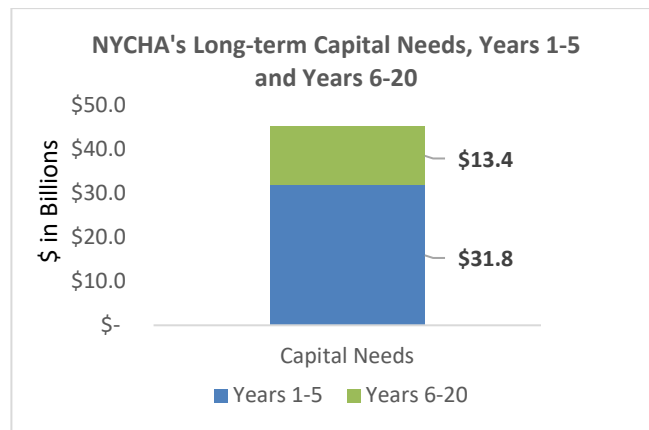
Overall, of the \$6.4 billion included in this Plan, 42 percent is from City Capital funds, which includes the City’s \$1.2 billion allocation to support building improvements mandated by a federal consent decree signed by NYCHA and the City in June 2018. From 2019 to 2023, NYCHA will receive about \$2.1 billion in new federal funding for investment in NYCHA’s building portfolio, or an average annual allocation of about \$423 million. The Capital Plan includes \$825 million in expected one-time disaster recovery funds to address the continued impacts of Superstorm Sandy and also assumes \$450 million in State funds for capital repairs, although this funding has not yet been released to NYCHA. The Plan reflects an increase of \$1.07 billion over the 2018-2022 Adopted Capital Plan mostly due to the addition of City funds and an increase of \$172 million in federal capital funds in Fiscal 2019.

Overall, 61 percent of the Capital Plan, or about \$3.9 billion will provide for structural improvements and exterior capital work. The second largest category of work, totaling \$1.2 billion, or 19 percent, is for heating and plumbing work, including boilers and heating plants.



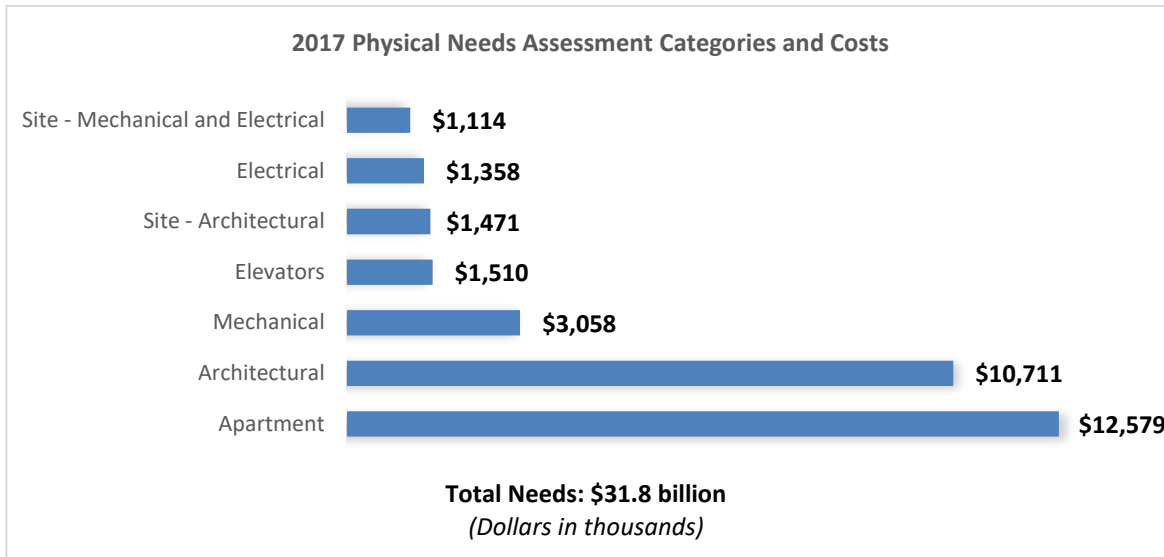
2017 Physical Needs Assessment

NYCHA conducted a Physical Needs Assessment (PNA) in 2017 and publically released the figures in July 2018. According to the results of the PNA, the total projected cost to bring the buildings, systems and grounds to a state of good repair across the NYCHA portfolio is \$31.8 billion over a five-year period, or about \$180,000 per unit, with an additional \$13.4 billion in needs projected in years 6 through 20.



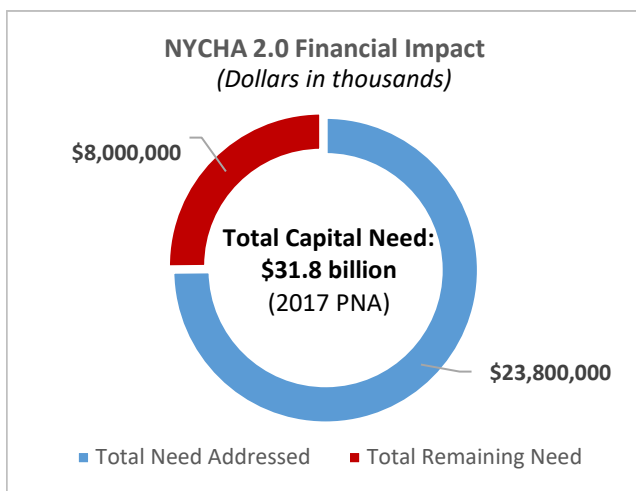
The 2017 projected need reflects NYCHA’s aging infrastructure, where approximately 50 percent of its developments are 50 years or older and require increasingly more maintenance and repairs. Based on the results of the PNA, the largest need, estimated at \$12.6 billion, or 40 percent of the total infrastructure need, within NYCHA’s portfolio is for apartments, which includes kitchens, bathrooms and their associated piping, walls, ceilings, and floors. About half of these needs, approximately \$5.6 billion, are for work needed in bathrooms and kitchens, including repairs to and replacement of bathtubs, toilets, tile surrounds, sinks, refrigerators, stoves, kitchen cabinets, and related work. The

second largest category is for needs related to the exterior infrastructure, including roofs, windows, exterior walls, main front doors and brickwork, totaling \$10.7 billion, or 34 percent of the total need. The remaining needs are for mechanical systems, including boilers and heating plants (\$3.1 billion), site work (\$2.6 billion), elevators (\$1.5 billion), and site lighting (\$1.4 billion). Addressing these needs requires far more capital investment than has been made available to NYCHA at the federal, State, and City levels.



NYCHA 2.0

In December 2018, the City announced “NYCHA 2.0,” a comprehensive, ten-year plan to renovate and preserve NYCHA developments and resolve \$23.8 billion in capital needs across its portfolio. NYCHA 2.0 is comprised of four major programs: PACT to Preserve, Build to Preserve, Transfer to Preserve, and Fix to Preserve. It is estimated that these programs, along with \$8 billion in existing and expected City, State and federal capital funds, will address nearly \$24 billion in capital needs over the next decade, or up to 75 percent of NYCHA’s \$31.8 billion overall capital need. The estimated financial impact of these initiatives are further outlined below.



NYCHA 2.0 Initiative	Capital Need Addressed (Estimated)	Timing (years)
PACT to Preserve	\$12.8 billion	10
Build to Preserve	\$2 billion	10
Transfer to Preserve	\$1 billion	10
City Capital funds	\$1.4 billion	5
State Capital funds	\$450 million	*
Federal Capital funds	\$3.6 billion	10
HUD Agreement	\$2.2 billion	10
Total Need Addressed	\$23.8 billion	
Total Capital Need	\$31.8 billion	
Total Remaining Need	\$8 billion	

* Exact timeline to be determined.

- **PACT to Preserve.** The primary program under NYCHA 2.0 is PACT to Preserve, which will address an estimated \$12.8 billion in capital needs across the Authority's portfolio. The program aims to convert the funding stream of an estimated 62,000 NYCHA units from public housing operating funds (Section 9) to Section 8 funding, thereby facilitating public-private partnerships to fund extensive renovations and repairs through private developers. Renovations under this program have already been completed at the 1,395 units at the Ocean Bay development in Far Rockaway, with 8,900 additional units in the beginning stages of conversion. NYCHA estimates that all 62,000 units will be completed on a rolling basis by 2028, however, any adverse changes to the federally funded Section 8 program would result in insufficient Tenant Protection Voucher funding to meet these targets.
- **Build to Preserve.** The City will replace the existing half-market rate, half-affordable housing development program (50/50 program) at NYCHA-owned sites with a mixed income program that will produce 75 percent market rate, 25 percent affordable housing units (75/25 program). New buildings will be subject to Mandatory Inclusionary Housing (MIH) levels of affordability and increase the permanently affordable housing stock. In total, NYCHA estimates that the 75/25 development program could encompass 25 sites and generate \$2 billion in revenue over a ten-year period, which would be dedicated to capital improvements in the adjacent developments as well as ensuring the Authority's financial sustainability.
- **Transfer to Preserve.** NYCHA expects to generate \$1 billion in funding for capital repairs through the transfer of a portion of its estimated 80 million square feet of unused development rights, also known as air rights. The first deal is expected to be completed by mid-2019 at Ingersoll Houses in Brooklyn.

Capital Plan Overview

On February 7, 2019, the Administration released the Preliminary Ten-Year Capital Strategy for Fiscal Years 2020-2029 (the Ten-Year Strategy), the Capital Commitment Plan for Fiscal 2019-2023 (the Commitment Plan) and the Fiscal 2020 Preliminary Capital Budget (the Capital Budget).

This section will provide an overview of the Preliminary Ten-Year Strategy, Commitment Plan and Capital Budget for NYCHA. Each one of these documents should support and be well integrated with one another to properly execute the City's capital projects as well as meet its infrastructure goals. We will examine to what extent this is occurring, where improvements need to be made, and the overall feasibility of NYCHA's capital program.

Preliminary Ten-Year Capital Strategy Fiscal 2020-2029

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

Strategy Guiding Principles

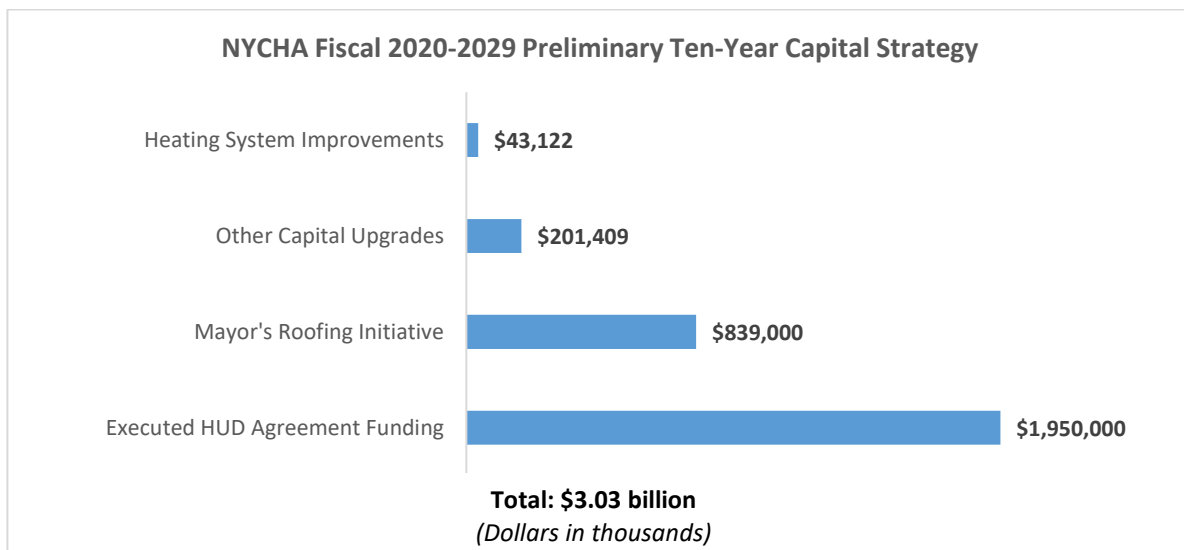
By its own description the Ten-Year Strategy document: "provides a venue for the City to demonstrate the comprehensive infrastructure planning that the City undertakes as part of its responsibility to all New Yorkers, across all neighborhoods, and explain the connections between capital investment and strategic priorities." It strives to do this through four guiding principles:

1. Maintain New York City’s financial responsibility
2. Promote forward-looking, holistic capital planning that anticipates neighborhood needs of tomorrow
3. Advance a more equitable New York City through capital investment
4. Consider community perspectives in capital planning and decision-making

Using these principles we will assess NYCHA’s Strategy, and how well it is integrated with the Authority’s Capital Commitment Plan and Capital Budget.

The City’s Ten-Year Strategy totals \$104.1 billion (all funds), which is \$14.5 billion larger than the \$89.6 billion Fiscal 2018-2028 Ten-Year Strategy. NYCHA’s Ten-Year Capital Strategy totals \$3 billion, and comprises about three percent of the City’s total Strategy.

Each agency’s Ten-Year Strategy is broken down into Ten-Year Plan Categories which describe the general type of capital work being done. The chart below shows how NYCHA’s Ten-Year Strategy is distributed among the four categories that support the Authority’s planned spending on public housing upgrades and capital repairs.

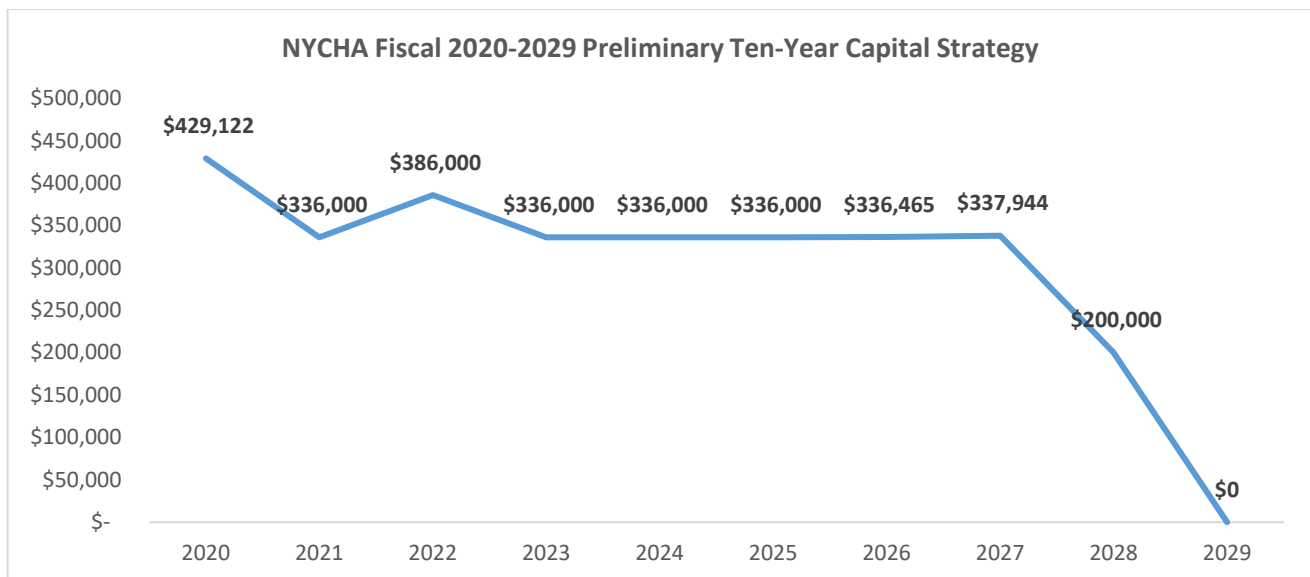


The Preliminary Ten-Year Capital strategy provides \$3 billion for NYCHA for building exteriors upgrades such as roof work, building systems upgrades and improvements, including elevator repair work and other construction projects. Notably, the Ten-Year Capital strategy provides \$1.95 billion in funding as part of the January 2019 executed HUD agreement with SDNY, NYCHA and the City which requires NYCHA, under the supervision of a federal monitor, to reform its operations and remedy living conditions for its residents, including lead paint hazards, mold growth, pest infestations, lack of heat, and inadequate elevator service. The major capital strategy programs are further outlined below.

- **HUD Administrative Agreement.** The Preliminary Ten-Year Capital Strategy provides \$1.95 billion as part of an administrative agreement signed by SDNY, NYCHA and the City that requires NYCHA to remediate living conditions at developments citywide by specific deadlines and meet strict compliance standards regarding lead paint hazards, mold growth, pest infestations, and inadequate heating and elevator service. In total, \$2.2 billion is provided from Fiscal 2019-2028 for critical repairs to meet the terms of the agreement.

- Roof Replacement Initiative.** The Preliminary Ten-Year Capital Strategy provides \$839 million for a multi-phase roof repair program to address the underlying conditions of mold and other health related hazards in NYCHA developments. The first phase of roof repair work totaled \$100 million and supported roof repair work at 65 buildings across five developments scheduled between May 2015 and April 2018. A second phase of roof work at 78 buildings, costing \$100 million, has now entered construction and will be completed by June 2019. In total, the existing scope of roof repair work will encompass 952 buildings at a total cost of \$1.3 billion over a ten-year period. By 2026, it is anticipated that all roofs across NYCHA’s portfolio will be in a state of good repair. This program will impact approximately 175,478 NYCHA residents.
- Heating System and Boiler Improvements.** The Preliminary Ten-Year Capital Strategy provides \$43.1 million for heating system improvements and boiler replacements at various developments citywide. This investment will replace outdated boilers, and modernize heating system controls and hot water-making technology.

During the first five years of NYCHA’s Ten-Year Strategy, from Fiscal 2020-2024, the average funding amount reflected for these programs totals \$364.6 million annually, while average funding for the last five years of the Strategy, from Fiscal 2025-2029, decreases to \$242.1 million. Notably, after Fiscal 2028, the final year of the administrative agreement, funding for NYCHA under the Ten-Year Strategy is discontinued.

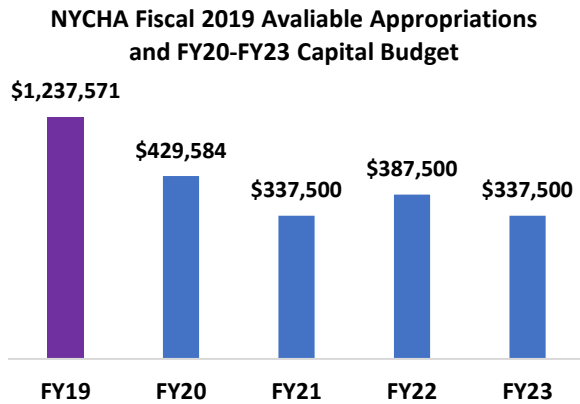


Capital Program

Fiscal 2020 Preliminary Capital Budget and Commitment Plan for Fiscal 2019-2023

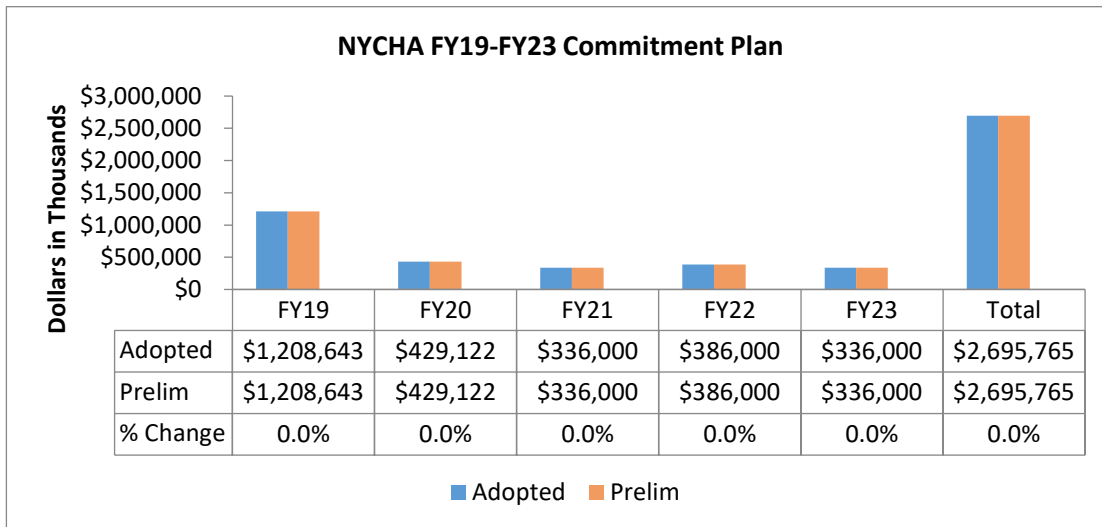
The Capital Budget provides the estimated need for new appropriations for Fiscal 2020 along with projections for the subsequent three-year capital program. Appropriations represent the legal authority to spend capital dollars and are what the Council votes on at budget adoption. The Commitment Plan, which is a five-year spending plan, is the plan to spend those appropriations. The Capital Budget is significantly less than the Capital Commitment Plan because it does not include the current appropriations for Fiscal 2019 or the amount of funding that may be re-appropriated or rolled

into Fiscal 2020 in the Executive or Adopted Budget. This report will provide an overview of the Capital Budget and Commitment Plan for the New York City Housing Authority.



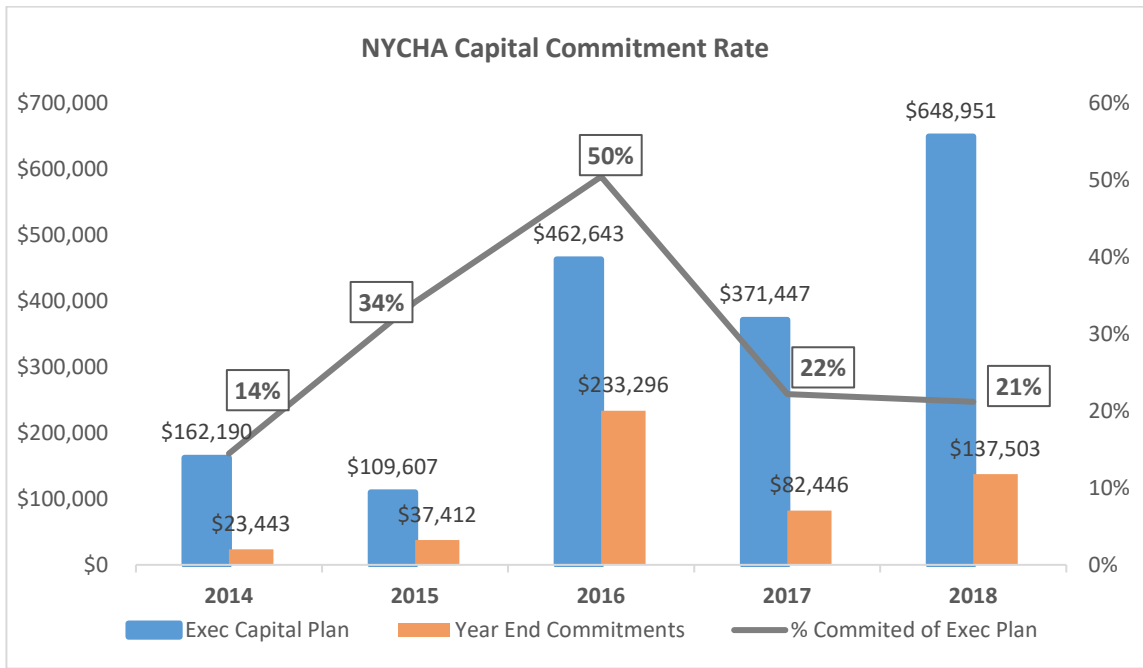
As shown in the chart at left, NYCHA’s Fiscal 2020 Preliminary Capital Budget includes \$1.5 billion in Fiscal 2020-2023 comprised of all City funds. This represents approximately three percent of the City’s total \$52.8 billion Capital Budget for 2020-2023. Available appropriations for Fiscal 2019 total \$1.2 billion. This includes \$568.2 million in reauthorized prior appropriations and \$669.4 million in authorized Fiscal 2019 appropriations, less actual commitments in the current fiscal year.

NYCHA’s Preliminary Commitment Plan includes \$2.7 billion in Fiscal 2019-2023, all City funds. This represents approximately three percent of the City’s total \$83.8 billion Preliminary Commitment Plan.

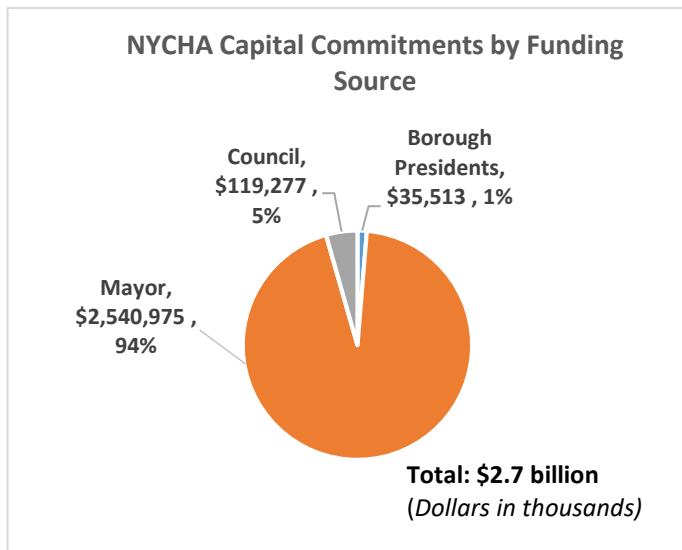


The total available appropriations for Fiscal 2019 are \$1.2 billion against planned commitments totaling \$1.2 billion. The Commitment Plan typically frontloads planned commitments for capital projects in the first year or two of the plan, and agencies rarely meet these targets. In Fiscal 2018, NYCHA’s committed only \$137.5 million or 21 percent of its annual City funded capital plan. Its history of commitments is shown below. Given this performance history, it is likely that NYCHA will end this year with unmet commitment targets and significant appropriations available to be rolled into Fiscal 2020 and in the outyears. The chart below displays the Authority’s capital commitment plan as of the Fiscal 2014-2018 Executive Budget and the actual commitments in the corresponding fiscal year. The chart also shows the capital commitment rate: the percentage of the capital plan committed per fiscal year.¹

¹ Note planned commitments are higher than the agency’s “target commitments.” Target commitments are a management tool used by OMB; they are “the actual aggregate levels that the managing agencies are expected to commit and against which their performance will be measured at the end of the fiscal year,” and are not broken out between City and non-City funds.

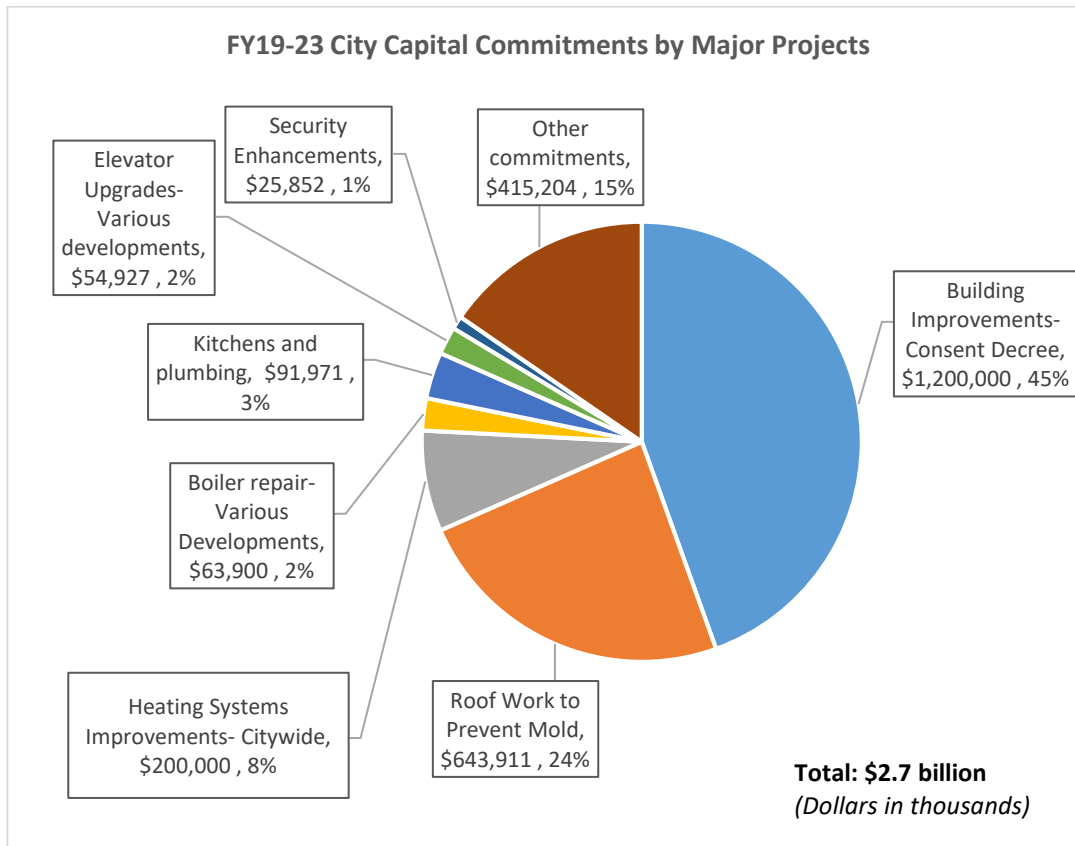


City Capital Commitments



The Fiscal 2020 Preliminary Capital Commitment Plan for NYCHA is comprised of 350 projects across seven budget lines totaling \$2.7 billion in Fiscal 2019-2023, comprised of all City funds. When consolidating the budget lines for the five borough presidents, NYCHA’s City capital budget can be further condensed into three main budget lines comprised of: \$2.5 billion in Mayoral allocations; \$119.3 million in City Council funds; and \$35.5 million from Borough Presidents, as demonstrated in the left chart.

The Authority’s \$2.7 billion Preliminary Capital Commitment Plan for Fiscal 2019-2023 reflects no change from the \$2.7 billion scheduled in the Adopted Commitment Plan. In the Fiscal 2019 Adopted Plan, the City provided \$1.2 billion to NYCHA for critical repairs to comply with the funding requirements of a June 2018 federal Consent Decree. As such, no additional capital funds to NYCHA were provided in the Preliminary Capital Commitment Plan.



Overall, the \$1.2 billion investment for critical repairs and building improvements comprises about 45 percent of NYCHA’s Preliminary Capital Commitment Plan. The second largest capital commitment category, totaling \$643.9 million, or 24 percent of all commitments, is a multi-phase roof repair program to address health related hazards at NYCHA. About eight percent of all commitments, or \$200 million, are allocated for heating system improvements at 20 developments; this investment includes: \$90 million for 39 new boilers at 10 developments and \$110 million for hot water systems and heating controls at 20 developments. For a complete list of developments, see Appendix B.

Appendices

A: 2019-2023 Operating Plan: All Funds

2019-2023 Operating Plan (All Funds)					
<i>Dollars in Millions</i>					
	2019	2020	2021	2022	2023
Revenue Sources:					
Tenant Rental Revenue	\$1,046.5	\$1,044.9	\$1,045.6	\$1,054.0	\$1,062.6
Federal Operating Subsidies (Section 9)	944.0	975.3	986.3	1,014.4	1,047.1
Section 8 Subsidy	1,167.7	1,146.9	1,229.2	1,225.8	1,225.8
City Funds	288.3	198.0	200.0	190.2	177.2
All Other Revenues	63.4	61.8	61.7	62.0	62.3
Total Revenues	\$3,509.9	\$3,426.9	\$3,522.8	\$3,546.4	\$3,575.0
Expenditures					
Personnel Service:					
Salaries	\$649.6	\$669.3	\$681.6	\$683.7	\$685.1
Fringe	568.6	586.6	604.4	618.8	631.4
Overtime	85.5	85.0	84.7	84.7	84.7
All Other Salaries	41.7	41.5	40.9	40.8	40.6
Total Personnel Service	\$1,345.4	\$1,382.4	\$1,411.6	\$1,428.0	\$1,441.8
Other Than Personnel Service:					
Supplies	\$79	\$72	\$71	\$71	\$70
Leases	43.3	46.5	47.3	48.4	49.5
Utilities	542.8	546.7	555.0	561.6	567.4
Contracts	374.6	357.2	305.2	304.5	303.8
Section 8 Payments	1,027.4	1,028.5	1,109.8	1,106.3	1,105.6
Other OTPS	64.2	60.8	115.1	119.2	124.1
Total Other Than Personnel Service	\$2,131.2	\$2,111.5	\$2,203.6	\$2,210.7	\$2,220.6
Total Expenditures	\$3,476.6	\$3,493.9	\$3,615.2	\$3,638.7	\$3,662.4
Surplus/(Deficit)	\$33.3	(\$67.0)	(\$92.4)	(\$92.3)	(\$87.4)
Headcount	10,707	10,660	10,614	10,606	10,606

B: 2018-2022 Mayoral Investments for NYCHA Boilers

NYCHA FY2018-2022 Boiler Investment			
Boilers			
Number of Developments	Development Name	Funding Source	
1	Morris I	Capital	City
2	Morris II	Capital	City
3	Taft	Capital	City
4	Cypress Hills	Capital	City
5	Farragut	Capital	City
6	Sotomayor Houses	Capital	City
7	Rangel	Capital	City
8	Fiorentino Plaza	Capital	City
9	Long Island Baptist Houses	Capital	City
10	Robinson	Capital	City
Subtotal		\$90,000,000	
Hot Water Systems & Heating Controls		Funding Source	
Number of Developments	Development Name	Funding Source	
1	Morris I	Capital	City
2	Morris II	Capital	City
3	Taft	Capital	City
4	Cypress Hills	Capital	City
5	Farragut	Capital	City
6	Sotomayor Houses	Capital	City
7	Rangel	Capital	City
8	Fiorentino Plaza	Capital	City
9	Long Island Baptist Houses	Capital	City
10	Robinson	Capital	City
11	Astoria	Capital	Federal
12	Baruch Houses Addition	Capital	Federal
13	Baruch	Capital	Federal
14	McKinley	Capital	Federal
15	Melrose	Capital	Federal
16	Pelham Parkway	Capital	Federal
17	Pomonok	Capital	Federal
18	Rutland Towers	Capital	Federal
19	Soundview	Capital	Federal
20	South Beach	Capital	Federal
Subtotal		\$110,000,000	
TOTAL		\$200,000,000	

C: 2019 NYCHA Managed Senior Centers

NYCHA Managed Senior Centers			
Number	Borough	Development	Council Member
1	Bronx	Highbridge Gardens	Gibson
2	Bronx	Sedgwick	Gibson
3	Bronx	Soundview	Diaz
4	Brooklyn	Brownsville	Ampry-Samuel
5	Brooklyn	Cypress Hills	Barron
6	Brooklyn	Glenmore Plaza	Espinal
7	Brooklyn	Hughes Apartments	Ampry-Samuel
8	Brooklyn	Sumner	Cornegy
9	Manhattan	Lincoln	Ayala
10	Manhattan	Taft	Perkins
11	Manhattan	Wagner	Ayala
12	Queens	Astoria	Constantinides
13	Queens	Baisley Park	Adams
14	Queens	Bland	Koo