NYU Furman Center

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NYCHA's Road Ahead:

Capital and Operating Budget Needs, Shortfalls, and Plans

The physical needs of the New York City Housing Authority's (NYCHA) 173,762 unit[1] public housing portfolio are staggering and growing at an alarming rate. For decades, the largest public housing authority in the nation has been underfunded relative to its capital need, leading to poor living conditions for many of the city's lowest income residents. In a 2017 Physical Needs Assessment (PNA), NYCHA's engineering consultants estimated the cost of repairing and replacing necessary building systems over five years to be $31.8 billion ($180,700 per unit),[2] and $45.2 billion ($255,700 per unit) over 20 years.[3] This projection increased from an estimated five year cost of $16.5 billion ($93,750 per unit) in 2011[4] and does not include the cost of comprehensive lead testing and necessary abatement for NYCHA units built before 1978. While management is often blamed for NYCHA's state of disrepair, capital needs of this magnitude cannot arise from management deficiencies alone, nor can they be solved solely by better management practices. In stark contrast to the total need, NYCHA announced in its recent five year capital plan that it anticipates a total of $6.4 billion ($36,400 per unit) in funding from the federal, state, and city governments for capital improvements that would be performed between 2019 and 2023.[5] Because these dedicated funding sources will fall far short of covering the estimated total cost of repairs, NYCHA is considering new long-term strategies to finance the rehabilitation necessary to keep this critical source of affordable housing[6] in habitable condition today and for the coming decades.

1 New York City Housing Authority, "NYCHA 2019 Fact Sheet" (March 2019). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-Fact-Sheet_2019_08-01.pdf As of the time of this publication, the current number of units in NYCHA's public housing portfolio is 173,762. This number can and will decrease when properties go through the disposition process described in this brief.

2 New York City Housing Authority, "2017 Physical Needs Assessment" (March 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/PNA%202017.pdf The denominator used in this calculation is the number of units described in the most recent Physical Needs Assessment.

3 Ibid.

4 Ibid. A number of factors drive this increase, including the erosion of dollar value due to inflation, that the 2011 PNA needs were not entirely met, and 2011 was a down labor market relative to the labor market of today, making assumed labor costs cheaper in 2011 compared to 2017.

5 New York City Housing Authority, "2019-2023 Capital Plan" (December 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/capital-plan-narrative-2019.pdf

6 See Furman Center report NYCHA's Outsized Role in Housing New York's Poorest Households for more detail on NYCHA's importance for the stock of affordable housing in New York City. http://furmancenter.org/files/NYCHA_Brief_12-17-18.pdf

In December 2018 NYCHA announced a new plan ("NYCHA 2.0") to tackle its capital needs backlog. NYCHA estimates that over the next 10 years, its plan could raise up to $24 billion ($136,400 per unit) to cover capital repairs.[7] The plan does not come without uncertainties. First, even this ambitious plan may be insufficient to meet the needs, as there remains an anticipated shortfall relative to the total cost of repair and replacement. Second, if NYCHA is not able to simultaneously address its significant day-to-day property maintenance and operations, the capital needs will continue to balloon, creating a higher baseline of needed work over time. The plan requires significant leadership and long-term cooperation from the United States Congress, the U.S. Department of Housing and Urban Development (HUD), State and Local elected leaders, and private sector investors and developers working together to provide the necessary level of funding, construction work, and expedited approvals needed to implement the comprehensive plan.

The stakes confronting NYCHA and New York City are high. While many cities demolished the bulk of their public housing stock over the last 50 years, New York has long recognized public housing's critical role in maintaining economically and racially diverse neighborhoods. Yet this ongoing commitment faces unprecedented challenges, as the cost of repair grows exponentially and federal funding fails to keep pace. Finally, NYCHA confronts this existential threat against the backdrop of a city facing near-record homelessness, and with more than half of its renters cost-burdened according to the federal standard.

7 Office of the Mayor. "Fixing NYCHA: Mayor de Blasio Announces Comprehensive Plan to Renovate NYCHA Apartments and Preserve Public Housing." (December 12, 2018). Retrieved from https://www1.nyc.gov/office-of-the-mayor/news/591-18/fixing-nycha-mayor-de-blasio-comprehensive-plan-renovate-nycha-apartments-and#/0

This brief contextualizes NYCHA's budget and its plans to address budget shortfalls. First, we focus on the capital budget, describing NYCHA's new plan and the barriers that exist to implementing NYCHA 2.0. Next, we turn to the operating budget, and describe and assess the budget deficit, as well as NYCHA's existing plans to address the shortfall.

NYCHA's Capital Budget

Capital Needs

The scale of NYCHA is massive and its presence in New York City's housing market is unrivaled. NYCHA is the largest landlord in New York City and the largest Public Housing Authority in the country. It is responsible for maintaining 173,762 apartments[8] and housing over 400,000 primarily low-income[9] New Yorkers.[10] NYCHA's properties represent approximately 8 percent of all renter-occupied housing in the City, encompassing 316 developments and 2,351 residential buildings spanning all five boroughs.[11] While managing, investing in, and maintaining such a large and geographically dispersed footprint is a complex operation that requires significant resources in and of itself, the buildings themselves have aged and are in need of significant repair. NYCHA's buildings were built on average 58 years ago,[12] with 70 percent of buildings built before 1970.[13]

8 New York City Housing Authority, "2017 Physical Needs Assessment" (March 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/PNA%202017.pdf

9 The City of New York Department of Finance, "Annual Report on Tax Expenditures Fiscal Year 2019" (February 2019). Retrieved from https://www1.nyc.gov/assets/finance/downloads/pdf/reports/reports-tax-expenditure/ter_2019_final.pdf. An estimated 83.5% of NYCHA households earn below $40,000 in annual income, with 56.3% earning below $20,000 in annual income

10 New York City Housing Authority, "About NYCHA". Retrieved from https://www1.nyc.gov/site/nycha/about/about-nycha.page.

11 New York City Housing Authority, "NYCHA 2019 Fact Sheet" (March 2019). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-Fact-Sheet_2019_08-01.pdf

12 Ibid.

13 New York City Housing Authority, "2017 Physical Needs Assessment" (March 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/PNA%202017.pdf

Capital needs generally rise substantially as a building ages, and complex building systems require significant rehabilitation or replacement over time. NYCHA's portfolio faces higher capital needs than comparably aged buildings because of longstanding underinvestment in capital repairs.

NYCHA's deferred maintenance and capital investments are due in large part to inadequate funding. Federal capital funding has fallen both nominally and in inflation adjusted terms, resulting in a constantly widening deficit over time that is exacerbated by continually growing costs. The federal retreat in the face of deteriorating conditions has been well documented for years. In 2012, a Boston Consulting Group report commissioned by NYCHA reiterated the fact that over time, underfunded capital budgets increased structural deficiencies and maintenance needs.[14] NYCHA received $420 million in federal capital funding in 2001; by 2017, that annual amount had fallen to a non-inflation adjusted $346 million.[15] In order to hold funding constant to the 2001 level while adjusting for inflation, funding would need to have been about $583 million in 2017, some $237 million higher than the actual allocation. Recent funding from Congress is closer to this past level. Congress increased the Capital Fund Allocation to $524 million in FY18.[16] Despite recent funding, these annual shortfalls have accumulated over time. NYCHA estimates that funding reductions have created a $1.34 billion cumulative shortfall in federal capital dollars.[17] Further, operating subsidies have also fallen short of the amount needed to fund NYCHA's day-to-day operations, and NYCHA has responded by transferring funds from its capital subsidy to cover operating costs.[18] For example, in FY2017, $54 million of NYCHA's federal capital funds were used to cover every day operating costs rather than building-wide improvements.[19]

While the City of New York and the State of New York have recently committed resources to fund particular capital repairs at NYCHA, these commitments still leave the agency vastly underfunded relative to total capital needs. In April 2018, Governor Cuomo committed $450 million to pay for a portion of NYCHA's capital needs by issuing an Executive Order declaring a State Disaster Emergency, subject to the approval of a monitor. To date these State Capital funds have not been released.[20] The 2020 State Enacted Budget fails to include any additional capital funds to NYCHA, but opts to reappropriate $450 million that had already been designated to NYCHA for urgent capital repairs. This figure includes $200 million allocated in Fiscal 2018 and $250 million in Fiscal 2019.

The City of New York has increased its support for NYCHA in recent years, with a commitment of $1.3 billion[21] over 10 years for 950 roof replacements, $500 million for repairing facades, and funding for rat mitigation as part of a larger $19.4 million package.[22] The City is also paying $1 billion over the next four years as part of an agreement with the federal government entered into in January 2019. The agreement resolved the United States' allegations against NYCHA of knowingly violating federal health and safety standards in its

14 BCG, "Reshaping NYCHA Support Functions" (August 2012). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/BCG-report-NYCHA-Key-Findings-and-Recommendations-8-15-12vFinal.pdf

15 New York City Housing Authority, "2019-2023 5-year Capital Plan" (December 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/capital-plan-narrative-2019.pdf

16 U.S. Department of Housing and Urban Development, "FY 2018 Capital Fund Allocations" (2018). Retrieved from https://www.hud.gov/sites/dfiles/PA/documents/CAP1.pdf

17 Ibid.

18 New York City Housing Authority, "2017 Comprehensive Annual Financial Report" (December 2016). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/CAFR-2017.pdf. NYCHA is allowed to transfer up to 20% of the capital grant. HUD Capital Fund Guidebook.

19 Ibid.

20 The Council of the City of New York, "New York City Housing Authority Finance Division Briefing Paper" (May 2019). Retrieved from https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/05/NYCHA.pdf

21 New York City Housing Authority, "2019-2023 5-Year Capital Plan" (December 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/capital-plan-narrative-2019.pdf

22 Ibid.

developments. Some of the claims include failing to protect children in NYCHA housing from lead paint and repeatedly deceiving HUD and the public about its lead paint compliance. Further, the agreement provides strict and enforceable requirements with deadlines that mandate NYCHA to immediately remediate lead in apartments with children under the age of six, and then, abate 100 percent of lead paint in all NYCHA developments. The agreement also called for the appointment of a Federal Monitor to oversee these reforms.[23]

NYCHA 2.0

In an effort to address this overwhelming need, in 2018, NYCHA announced a capital plan to raise more funding by using tools that include the pairing of long-term rent subsidies with low-cost debt, and tapping into the market value of certain NYCHA sites in higher cost areas. Overall, NYCHA 2.0 is projected to raise $23.8 billion in funding over 10 years.[24]

The Plan

Part one of the plan ("PACT to Preserve" or "PACT") is to convert 62,000 units to private management, with NYCHA retaining land ownership. Under this model, tenants continue to pay a portion of their income in rent (the maximum payment will remain 30 percent of adjusted gross income), while HUD subsidizes the remaining rent amount through a project-based Section 8 contract. The funding stream for the units will come from Section 8 of the 1937 Housing Act (Housing Act), rather than the public housing program under Section 9 of the Housing Act. Transferring the funding source for these units from the public housing program to the Section 8 program provides NYCHA flexibility to use private lending to support the properties.[25] To achieve this, NYCHA plans to use two[26] mechanisms: Rental Assistance Demonstration (RAD) and conversion to Tenant Protection Vouchers under Section 18 of the Housing Act (Section 18).[27] NYCHA estimates these transfers will raise $12.8 billion in capital funding.[28]

NYCHA's timing is in part the result of March 2018 HUD issued guidance[29] that sought to create more opportunities for Public Housing Authorities to dispose of properties under Section 18, thereby triggering the use of Tenant Protection Vouchers (TPV or TPVs) that pay higher long-term rents than the RAD program supports. TPVs are funded at 110 percent of HUD's Fair Market Rents, generally a substantial increase over RAD rents, which would in turn support higher levels of debt financing that can be used to address more capital needs. HUD Notice PIH 2018-04 (HA) provides more flexibility for housing authorities to use TPVs under Section 18. This includes the allowance for housing authorities to use a "blended" conversion, in which 75 percent of units within a development convert under the Rental Assistance Demonstration, and the remaining 25 percent convert under Section 18, thereby enabling the authority to apply

23 The United States Attorney's Office of the Southern District of New York, "Manhattan U.S. Attorney Announces New Agreement For Fundamental Reform At NYCHA" (January 2019). Retrieved from https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-new-agreement-fundamental-reform-nycha

24 New York City Housing Authority, "NYCHA 2.0, Part 1: Invest to Preserve" (2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-2.0-Part1.pdf

25 The public housing program prohibits building owners from using public housing as collateral for loans, and also limits their ability to use Low Income Housing Tax Credits.

26 New York City Housing Authority, "Request for Qualifications for Small-Scale Partners NYCHA RFQ #68293" (2019). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/pact-rfq-ss-20190412.pdf. NYCHA will technically also rely on a third provision to convert properties to Section 8 contracts known as Part 200 Conversions. The City and State of New York constructed eight developments that never received dedicated public housing funding once they were brought into NYCHA's portfolio. NYCHA is now using Section 8 contracts to convert these developments to project-based funding.

27 New York City Housing Authority, "Draft Annual Agency Plan for Fiscal Year 2020 and Five Year Agency Plan for Fiscal Years 2020-2024" (May 2019). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/FY20%20Draft%20Annual%20Plan_05-31-19%20final.pdf. NYCHA had already planned to convert 20,000 units by 2026, it is accelerating those 20,000 units to 2022. Then, it plans to add 5,000 units per year for the remaining years. NYCHA began construction work on 2,500 units in 2018 (at Betances and Twin Parks West), and plans to begin construction work for 5,000 units in 2019.

28 New York City Housing Authority, "NYCHA 2.0, Part 1: Invest to Preserve" (2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-2.0-Part1.pdf

29 U.S. Department of Housing and Urban Development, "Revised Notice PIH 2018-04 (HA)" (December 14, 2018). Retrieved from https://www.hud.gov/sites/dfiles/PIH/documents/pih2018-04.pdf

for TPVs for those units.[30] The notice also provides guidance on "Unit Obsolescence," whereby "PHAs [Housing Authorities] must demonstrate substantial physical issues of the buildings/units...that cannot be corrected in a cost-effective manner." In turn, units deemed obsolete due to the cost of their repair may also generate TPVs.

The second part of the plan ("Build to Preserve") involves in-fill development of mixed-income properties on available NYCHA land. Recent estimates find that NYCHA has 58-80 million square feet available to be developed on its properties, based on existing zoning regulations.[31 32] To monetize that development capacity, NYCHA plans to provide long-term ground leases to developers who would make annual or one-time payments that could support capital repairs. NYCHA's original NextGen plan was to allow developers to build housing that was 50 percent affordable and 50 percent market rate (50/50), with the revenues split between the "host" development (the site where the property is developed) and NYCHA's General Operating Fund. 50/50 development would likely have required City resources because the revenue from the market rate units would not cover the cost of developing and maintaining the 50 percent affordable housing units, therefore requiring public subsidies to fill the gap. As such, the City announced in NYCHA 2.0 that it would shift away from the 50/50 plan to instead focus on 70 percent market/30 percent affordable housing or 75 percent market/25 percent affordable housing, with income thresholds consistent with the City's Mandatory Inclusionary Housing (MIH) program.

30 Ibid.

31 Citizen's Budget Commission, "NYCHA's Untapped Assets: How NYCHA Can Maximize the Value of Infill Development" (October 2018). Retrieved from https://cbcny.org/research/nychas-untapped-assets

32 New York City Housing Authority, "NYCHA 2.0, Part 1: Invest to Preserve" (2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-2.0-Part1.pdf

Difference between RAD Rents and TPV Rents

The use of Rental Assistance Demonstration blended with Tenant Protection Vouchers is expected to generate higher rents on individual units. Higher rents over a longer period of time would support more debt, thereby allowing NYCHA to address more of its capital needs. TPVs allow a rent that is the lesser of 110 percent of the Fair Market Rents set by HUD (a regional rent) or what a Rent Reasonableness study would return when comparing to nearby market housing. The end rent would typically be much higher than the rents allowed under RAD, which are set at the development level. For example, in New York City, assuming 110% FMR, the median rents under TPV for apartments are on average about 65 percent higher than RAD rents.[33 34]

All of the money generated from these transactions would finance the rehabilitation of the host development. This strategic shift was described by Alicia Glen, the former Deputy Mayor of Economic Development, in December 2018.[35] With a higher share of market rate housing, NYCHA's allowance of development should provide significantly higher returns to NYCHA, and with this change in strategy, NYCHA expects to raise $2 billion in funding to repair about 10,000 units, fulfilling the capital needs for properties in relatively higher value markets.

33 U.S. Department of Housing and Urban Development, "2018 RAD Rents" (2018). Retrieved from https://www.hud.gov/sites/dfiles/Housing/documents/2018_RAD_Rents.xlsx

34 U.S. Department of Housing and Urban Development, "FY 2018 New York, NY HUD Metro FMR Area FMRs for All Bedroom Sizes" (2018). Retrieved from https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2018_code/2018summary.odn?&year=2018&fmrtype=Final&cbsasub=METRO35620MM5600

35 Politico, "With NYCHA in Dire Straits, de Blasio Rolls Out New Plan with More Market-Rate Development" (December 12, 2018). Retrieved from https://www.politico.com/states/new-york/city-hall/story/2018/12/12/with-nycha-in-dire-straits-de-blasio-rolls-out-new-plan-with-more-market-rate-development-740612

The third part of the plan is to sell transferable development rights ("Transfer to Preserve"). In addition to the land that can be developed, NYCHA also holds development rights at its sites that are underbuilt relative to the allowed zoning. To generate revenue, NYCHA plans to sell some of these development rights to owners of adjacent sites who can use them to build larger buildings than would otherwise be permitted. NYCHA estimates that sales of transferable development rights will generate $1 billion over 10 years that can be invested into the property that originated the air rights sale.

The Obstacles

There are a number of hurdles NYCHA will face as it implements its ambitious "NYCHA 2.0" plan. First, both Congress and the U.S. Department of Housing and Urban Development (HUD) must act. Currently, Congress has imposed a cap on the number of RAD conversions that can take place nationwide at 455,000 units at a first-come, first-served basis.[36] If Congress does not further lift this cap and the existing authority is exhausted by other jurisdictions, NYCHA may not being able to use RAD as planned. Additionally, for Section 18 TPV conversions to work as a long-term strategy, HUD must allocate additional TPVs to NYCHA, and may require additional Congressional Authority, depending on remaining TPV allocations from prior years. If these federal-level actors do not cooperate by providing the necessary amount of funding, NYCHA's revenue projections from RAD and Section 18 will fall significantly short. The ideal situation for NYCHA would be to obtain as many TPVs as HUD and Congress make available, then to strategically blend these special vouchers with RAD conversions in order to maximize the rehabilitation work that can be financed. NYCHA 2.0 describes an increasing reliance on TPVs in order to rehabilitate units over time: NYCHA estimated that TPV usage would start to dramatically outweigh RAD usage in 2020, with the number of units being rehabilitated over time increasing annually. In general, NYCHA estimates that the disposition and rehabilitation of units using both RAD and TPV would escalate to over 7,000 per year in 2026, up from nearly 4,000 in 2019.[37]

Moreover, NYCHA could be constrained in its ability to access financing, even if it receives the necessary appropriations, cap removals, and approvals. The key benefit to Section 8 for NYCHA is that it allows NYCHA to use operating surplus to borrow debt that funds capital repairs, which has historically been difficult to access in the public housing program. But this flexibility is not useful without an entity willing to provide financing. To fill this potential financing gap, the City has created a relationship between NYCHA's Development unit and the New York City Housing Development Corporation (HDC), a public benefit corporation that uses bond financing to lend money for affordable housing construction and preservation. This relationship is expected to facilitate transactions in which HDC finances the rehabilitation work using a combination of taxable bond financing and tax-exempt equivalent bond financing.[38] Typical affordable housing development uses Private Activity Bonds (PABs or tax-exempt bonds) that come with as-of-right Low-Income Housing Tax Credits (LIHTC). Under the Mayor's Housing Plan, such financing has been used almost exclusively for the new construction of low-income housing. The volume of PABs is limited on a per-capita basis, and New York State already uses up its entire cap on housing development each year. Thus, these PABs are limited, and are zero-sum (giving one to NYCHA necessarily takes away from some other project). As such, the City has made clear in Requests for Proposals that no application

36 National Housing & Rehabilitation Association, "HUD Publishes RAD Changes Including from 2018 Appropriations Act" (July 11, 2018). Retrieved from https://www.housingonline.com/2018/07/11/hud-publishes-rad-changes-including-from-2018-appropriations-act/

37 New York City Housing Authority, "NYCHA 2.0, Part 1: Invest to Preserve" (2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-2.0-Part1.pdf.

38 Ibid.

for a PACT deal should assume the usage of 4 or 9 percent tax credits,[39] and instead plans on using bond financing as described above from HDC.

Another obstacle will be the initial level of federal subsidy paid under the RAD program. Conversions under RAD alone will rarely produce enough of an operating surplus in order to support the debt needed to pay for the full construction costs required.[40] RAD rent levels are based on the FY18 Operating Subsidy, Tenant Rent, and Capital Fund levels of individual public housing authorities (PHAs). As a result, these rents vary widely between public housing projects and are often below the Fair Market Rent, a regional rent measure provided by HUD.[41] Given the high cost of construction and relatively low rents, the only completed RAD conversion in New York City to date (Ocean Bay) was financially feasible largely because the development also received additional subsidy through a Superstorm Sandy disaster recovery grant. Given the high cost of work needed, RAD alone is not likely sufficient to cover the full scope of work necessary to bring units to good condition. While TPVs would be preferred given their higher rents, their usage is limited by a minimum cost of work required, both in blended conversions with RAD, and when declaring unit obsolescence. In order to use TPVs on 25 percent of units when the other 75 percent are converting under RAD, the units must have rehabilitation costs that are higher than 60 percent of HUD-Published Construction Costs for the region.[42] For example, units in elevator buildings in Brooklyn must have a minimum hard cost of about $135 per square foot, or about $216 per square foot in total development cost.[43] In some developments, the cost of work may not reach this threshold, disallowing the usage of TPV vouchers for relatively lower cost rehabilitation work, even if allocated.

Strategies two and three (”Build-to-Preserve” and “Transfer-to-Preserve”) do not face the same federal barriers as strategy one (“PACT-to-Preserve”), but they are just as dependent on the interest of private developers and local politicians in order to succeed. The ability to locate private developers and contractors able to perform the work needed could vary significantly based on market conditions, and might underperform or exceed NYCHA’s current projections. A labor shortage, for example, would have the expected effect of increasing the cost of rehabilitation work, as evidenced by the difference in PNA cost between 2011 and 2017 and documented in the PNA as a key cost difference driver.[44] Similarly, a shortage of developers would either extend the timeline for construction and rehabilitation, require bringing in non-local developers less familiar with New York City construction policies and practices, or necessitate using smaller developers that may lack the capacity to perform such significant work.

39 New York City Housing Authority, “Permanent Affordability Commitment Together (PACT) Request for Proposals” (2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/2018-pact-sites.pdf.

40 Accessing capital will likely will be less of a problem when TPVs are issued, given that TPVs are more likely to pay market rents. These deals should ultimately look more like a typical private developer, where operating surpluses in themselves are enough to support substantial debt.

41 U.S. Department of Housing and Urban Development, “FAQ on Securing Updated RAD Rents” (January 2019). Retrieved from https://www.hud.gov/sites/dfiles/Housing/documents/FAQs_FY18_RAD_Rent_Updates.pdf

42 U.S. Department of Housing and Urban Development, “Revised Notice PIH 2018-04 (HA)” (December 14, 2018). Retrieved from https://www.hud.gov/sites/dfiles/PIH/documents/pih2018-04.pdf. In a 2018 notice regarding disposition of public housing under Section 18 of the 1937 US Housing Act, HUD provided guidance that in disposition projects in which at least 75% of units are converting under RAD to PBVs contracts, project-based Section 8 funded units must be newly constructed or substantially rehabilitated at a cost in excess of 60% of the Housing Construction Costs for a given market area.

43 U.S. Department of Housing and Urban Development, “2018 Unit Total Development Cost Limits” (August 2018). Retrieved from https://www.hud.gov/sites/dfiles/PIH/documents/TDC.pdf

44 New York City Housing Authority, “2017 Physical Needs Assessment” (March 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/PNA%202017.pdf (Also see footnote three, on page one)

Strategies two and three face additional barriers that the City must address in order to raise revenue by tapping into the market value of certain NYCHA developments. As NYCHA seeks to maximize revenue that can be used to make repairs by allowing for taller buildings with up to 75 percent market rate units, lawsuits challenging its in-fill development projects are likely to slow development and rehabilitation timelines. For example, in April 2019, Manhattan Borough President Gale Brewer sued NYCHA and the City of New York over the Holmes Tower development on the Upper East Side for not going through Uniform Land Use Review Procedures (ULURP) in order to gain necessary zoning approvals to build a 50-story tower on site.[45] In June 2019, NYCHA announced it was reevaluating their previous plan at Holmes Tower, and asked that the lawsuit be dismissed, though as of the publication of this article, the lawsuit remains pending.[46] Whether NYCHA's planned projects will be required to go through ULURP rather than rely on a Mayoral Zoning Override should be expected to be a contentious issue in each neighborhood, with the result of this lawsuit providing guidance on the required level of local review going forward. Notably, the ULURP process generally involves extensive negotiations and often results in a Community Benefit Agreement to fund neighborhood priorities, which may or may not include revenue dedicated for public housing.

In addition to expected pushback on infill development, the City must design a program to expand NYCHA's authority to sell Transferable Development Rights (TDRs) to private entities to raise revenue. Existing rules allow NYCHA to sell TDRs to contiguous lots, but to fully realize their revenue projections, a mechanism for selling to non-adjacent lots would be necessary. This would require amending the Zoning Resolution and a city-wide ULURP process, triggering another opportunity for public opposition and litigation. In addition, making more air rights available may potentially interfere with the existing air rights market under the City's Inclusionary Housing program, as well as the decision-making for a developer choosing between rezoning a site and becoming subject to the City's MIH requirements. If, for example, it is more financially advantageous to build denser housing with low-income housing units required under MIH than it is to purchase as-of-right air rights through NYCHA, the projected revenue may not materialize. If not planned carefully, this competition may lead to excess supply of geographically-based air rights, thereby undercutting air rights revenue for NYCHA while also driving down the acquisition price of air rights that fund the development of affordable housing.

Finally, NYCHA must focus on this plan while still managing its very large stock of housing on a day-to-day basis. Considering the centrality of operations to the capital budget needs, both because capital funds are used to cover operating expenses and because underfunded operations can contribute to larger capital needs than might otherwise exist, we turn next to NYCHA's plans for its operating budget.

45 Petition-Complaint, Brewer v. New York City Housing Authority, No. 154063/2019 (N.Y. Sup. Ct. 2019). (https://iapps.courts.state.ny.us/fbem/DocumentDisplayServlet?documentId=0WxqkljO9DgqkHRDcpQoww==&system=prod)

46 The City, "Brewer Ups Legal Fight against Private Tower at NYCHA Site" (June 25, 2019). Retrieved from https://thecity.nyc/2019/06/gale-brewer-ups-legal-fight-against-tower-at-nycha-site.html

NYCHA's Operating Budget

NYCHA projects a $33 million surplus in FY19 for its operating budget, however, expenses are projected to grow faster than revenues in coming years, with $84.5 million average deficits projected from FY20 through FY23. In 2017 and 2016 respectively, NYCHA spent $11,730 and $11,876 per public housing unit in operating costs.[47] For the purposes of this brief, we estimate the cost per unit to be $11,750 per public housing unit. The largest components of the operating budget include labor, employment benefits, and fuel and utilities.[48] Below, we describe NYCHA's sources of revenue, benchmark their operating expenses to other types of affordable housing in New York City, and examine the key factors driving the costs of NYCHA's public housing operations.

Revenue Sources

NYCHA's overall operating budget for FY19 projects a $33 million surplus, with revenues of $3.51 billion and expenses of $3.48 billion. In FY18 all rent paid to NYCHA by public housing residents represents 30 percent of total revenues. When combined, tenant rental revenue and federal operating subsidies for public housing account for nearly 56.7 percent of total revenues, while Housing Choice Voucher (HCV) subsidies (commonly known as Section 8) and federally funded Administrative Fees for the HCV program account for 33.2 percent of total revenues.[49]

Tenant Rent

NYCHA's single largest source of public housing operating revenue[50] is rental income from public housing tenants, which is projected to total $1.047 billion in FY19. NYCHA has attempted to improve collection of rent, but rent delinquency rates, the rate of households owing rent and other charges, have increased from 27.7 percent to 31.5 percent in FY18, while overall rent collection decreased from 94.9 percent to 93.7 percent.[51] In stark contrast, the assisted housing developments included in the Triborough Partners pilot, a project in which NYCHA transferred Section 8 properties to private management, achieved a three percent rent delinquency after shifting to a private management company, down from 15 percent in the period prior to conversion.[52] NYCHA wrote off around $23 million in bad debts related to tenant revenue in 2018 (about 2% of tenant revenue), up from $8.8 million in 2016. Given that NYCHA only wrote off two percent of tenant revenue in bad debts but only collected approximately 94 percent of revenue, bad debt expenses could continue to rise in the absence of improved collections.

Federal Operating Subsidy

NYCHA also receives a Federal Operating Subsidy each year from HUD, which totaled $937 million in 2018.[53] In computing the federal operating subsidy each year, NYCHA and HUD calculate a "Project Expense Level," which estimates the costs necessary to operate each development based on the multivariate regression model built by Harvard

47 New York City Housing Authority, "2017 Comprehensive Annual Financial Report" (December 2016). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/CAFR-2017.pdf

48 Mayor's Office of Operations, "Mayor's Management Report" (February 2019). Retrieved from https://www1.nyc.gov/assets/operations/downloads/pdf/pmmr2019/2019_pmmr.pdf

49 New York City Housing Authority, "5-Year Operating Plan 2019-2023" (December 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/operating-plan-narrative-04-2019.pdf

50 We distinguish public housing revenue from subsidies attributable to NYCHA's Section 8 Program.

51 Mayor's Office of Operations, "Mayor's Management Report" (September 2018). Retrieved from https://www1.nyc.gov/assets/operations/downloads/pdf/mmr2018/2018_mmr.pdf

52 CHPC, "Evaluation of NYCHA's Triborough Pilot Project, Interim Report" (June 2018). Retrieved from http://chpcny.org/wp-content/uploads/Public-Housing-Triborough-Interim-Report.pdf

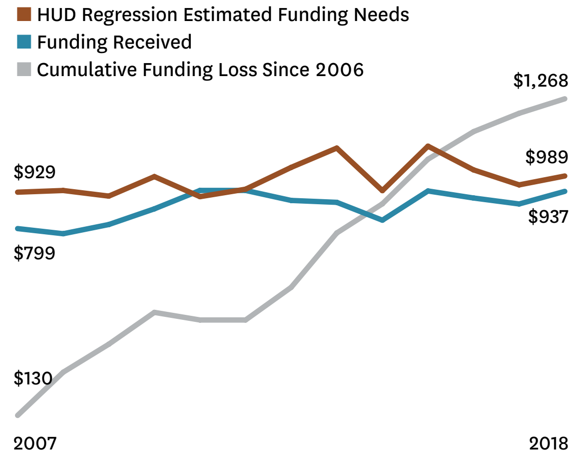
53 The Council of the City of New York, New York City Housing Authority Finance Division Briefing Paper (March 2019). Retrieved from https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/NYCHA2020.pdf

researchers in 2003.[54] The model aims to project the costs of operation, before utilities, based on specific attributes of the development. Each PHA is provided with the application which calculates estimated eligible operating subsidy using this method for each development the PHA manages.[55]

After adding certain adjustments, including actual average utility expenses, payments in lieu of taxes (PILOTs), and asset management fees, and accounting for inflation, HUD arrives at a "Total Formula Expenses" eligible for subsidy for each development. HUD then subtracts tenant revenue charged from each development to arrive at the "Formula Amount" which HUD establishes as the development's federal operating subsidy need.

While HUD calculates a total federal operating subsidy need for each PHA based on the calculation described above, funding is still subject to congressional appropriation. $937 million in operating subsidy NYCHA received in 2018 represents 94.7% of its total eligible need of $988 million, based on the operating subsidy calculation.[56] Cumulatively, since 2001, Congressional funding for operating subsidies has fallen short of the calculated eligible need by over $1.4 billion.[57] [58]

Congress has consistenly underfunded NYCHA's Federal Operating Subsidy (millions of dollars)



Source: NYCHA's Five Year Operating Plan (2019-2023)

State and City Subsidies

NYCHA also receives annual funding from New York City and, in some years, from New York State. In 2018, New York City subsidies were budgeted at $143 million, which is scheduled to increase to $288 million in 2019.[59] The $288 million includes $99 million for general wage increases, $94 million as a Housing Grant, and $95 million for other projects.[60] In addition, the City effectively offers annual operating subsidy in the form of a property tax expenditure. The City exempted $5.7 billion of assessed property values for NYCHA-owned properties, saving NYCHA $714.6 million in property taxes owed in Fiscal Year 2019.[61] Historically, NYCHA made an annual Payment In Lieu of Taxes (PILOT) to the City of approximately $30 million,

54 Harvard University Graduate School of Design, "Public Housing Operating Cost Study" (June 2003). Retrieved from https://www.hud.gov/sites/documents/DOC_9238.PDF

55 Regression variables for purposes of calculating the project level expense include 1) size of project, 2) age of property, 3) unit size / bedroom mix, 4) building type, 5) occupancy type (family or elderly), 6) location (metro center vs. metro non-center vs. rural), 7) neighborhood poverty rate, 8) percent of households which are rent-assisted, 9) ownership type, and 10) geography.

56 New York City Housing Authority, "5-Year Operating Plan 2019-2023" (December 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/operating-plan-narrative-04-2019.pdf

57 Ibid.

58 Ibid.

59 New York City Housing Authority, "Adopted Budget for FY 2018 And Four Year Financial Plan FY 2019-2022" (2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-fy2018-budget-book.pdf

60 Ibid.

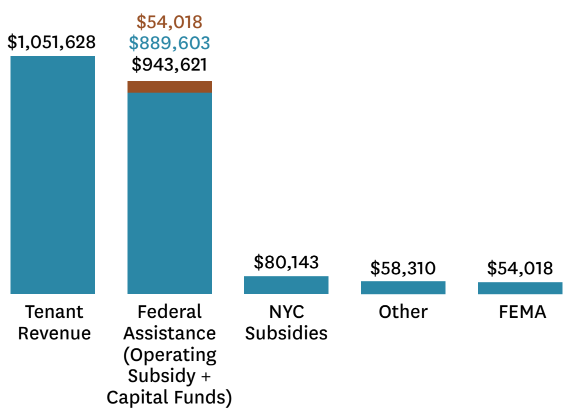
61 The City of New York Department of Finance Division of Tax Policy, "Annual Report on Tax Expenditures" (2019). Retrieved from https://www1.nyc.gov/assets/finance/downloads/pdf/reports/reports-tax-expenditure/ter_2019_final.pdf

but the PILOT has been waived since 2015.[62] In 2014, the City also stopped requiring NYCHA to reimburse the New York Police Department for public safety and policing, removing an annual expense of approximately $70 million.[63]

Other Income

NYCHA collects about $61 million per year in other income, which includes developer fees, parking fees, commercial rental income, community center revenue, and other limited fee-based uses of its property. NYCHA is also permitted to use up to 20 percent of its annual capital subsidy for particular operating purposes. In 2017, this amounted to $54 million in additional operating funding.[64]

NYCHA's revenue comes almost entirely from Tenant Revenue & Federal Assistance, 2017

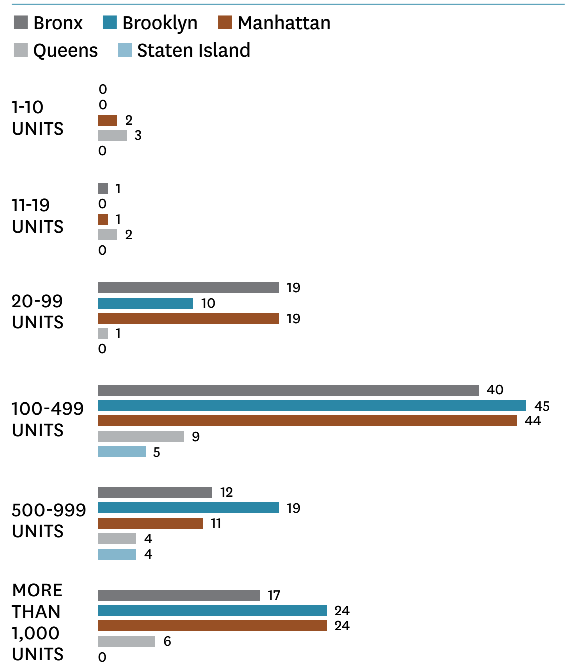


Source: NYCHA's Comprehensive Annual Financial Report (2017 and 2016)

Benchmarking NYCHA's Expenses to Other NYC Housing Types

For almost every budget component, NYCHA spends more in operating costs for its public housing units than other comparable rent-regulated and subsidized housing buildings in NYC. It should be noted, however, that NYCHA manages a unique housing stock, as evidenced by the distribution and size of its developments, which skew much larger than a typical rent-regulated building in NYC. A majority of NYCHA project sites hold 100-499 units, and a number of sites hold over 1,000 units.

Number of Project Sites by Total Units



Source: City of New York Primary Land Use Tax Lot Output (PLUTO)

In contrast to the roughly $11,750 in operating costs per public housing unit, the average rent-stabilized unit in buildings over 100 units in NYC cost around $9,936 per year to operate when removing taxes.[65] This citywide number may be skewed by large, newer luxury Manhattan rental developments that

62 Press Release: "Mayor De Blasio Investing $1 Billion To Replace Roofs At More Than 700 Nycha Buildings, Combatting Leaks And Mold" Retrieved from https://www1.nyc.gov/site/nycha/about/press/pr-2017/mayor-de-blasio-investing-1-billion-to-replace-roofs-at-more-than-700-nycha-buildings-20170124.page

63 Ibid.

64 The Council of the City of New York, "New York City Housing Authority Finance Division Briefing Paper" (March 2019). Retrieved from https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/NYCHA2020.pdf

65 NYC Rent Guidelines Board, "2019 Income and Expense Study" (April 2019). Retrieved from https://www1.nyc.gov/assets/rentguidelinesboard/pdf/ie19.pdf. Costs include Maintenance, Fuel, Administrative, Labor, Utilities, Insurance, and Miscellaneous.

are rent-stabilized only because of the 421-a tax exemption, and may not represent a typical rent-stabilized building, which tends to be older and offering fewer amenities. As such, when looking only at building over 100 units that do not include Core Manhattan properties, this per unit operating cost falls to $7,836 per unit.

Affordable housing preservation projects in New York City fall within the same range as that of rent-stabilized properties above. HDC's 2019 "Maintenance and Operating Expense Guidelines" shows that typical preservation projects with a building staff made up of unionized members have operating expenses of about $8,718 per unit, and for non-unionized building staff, the operating expense is $8,006 per unit.[66] For newly constructed units, the expected number is $7,748 per unit for buildings with unionized staff, and about $7,036 per unit for buildings without unionized staff. Similarly, a study by Cohn-Resnick analyzing LIHTC deals found average operating expenses of about $7,000 per unit across New York State.[67]

Older subsidized housing units also cost less to operate than NYCHA's public housing. A sample of Mitchell-Lama units, similarly aged and sized to NYCHA developments, revealed an annual operating cost of around $10,400 per unit.[68] While NYCHA's utilities expense levels are similar to utilities expense levels of Mitchell-Lama units, an analysis of NYCHA's expenditures reveal that it spend considerably more on labor and maintenance than the Mitchell-Lama portfolio on a per unit basis.[69]

66 New York City Housing Development Corporation, "2019 New Construction Maintenance and Operating Expenses Guidelines" (2019). Retrieved from http://www.nychdc.com/content/pdf/Developers/HDC%20New%20Construction%20Expense%20Standards.pdf

67 CohnReznick LLP, "The Low-Income Housing Tax Credit Program at Year 30: An Operating Expense Analysis" (2016). Retrieved from https://www.cohnreznick.com/-/media/resources/2016_lihtc-operating-expense-study_updated.pdf

68 New York City Housing Development Corporation (personal communication, August 16, 2018)

69 Citizens Budget Commission, "Stabilizing the Foundation: Transforming NYCHA to Address its Capital Needs" (July 2018). Retrieved from https://cbcny.org/research/stabilizing-foundation

Operating Costs (not including property taxes) per Unit

Source: NYCHA's Comprehensive Annual Financial Report (2017 and 2016), New York City Housing Development Corporation, NYC Rent Guidelines Board Housing NYC: Rents, Markets and Trends 2018

Key Cost Drivers

Labor Costs

Labor costs and fringe benefits account for around 39 percent of NYCHA's public housing operating budget.[70] NYCHA employs just under 11,000 individuals, with around 5,500 front-line workers assigned to developments and 5,200 workers in a central office.[71]

The Authority has worked to curb its labor expenses by reducing headcount around 11 percent since 2009, with plans to cut another 3-5 percent in central office workers in the next five years. Despite these efforts, fringe benefit costs have increased nearly 40 percent since 2009, from $396 million to $545 million, driven by cost of health care and pension. Fringe benefits now make up between 40-50 percent of total personnel costs.[72]

70 New York City Housing Authority, "5-Year Operating Plan 2019-2023" (December 2018). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/operating-plan-narrative-04-2019.pdf

71 The Council of the City of New York, "New York City Housing Authority Finance Division Briefing Paper" (March 2019). Retrieved from https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/NYCHA2020.pdf

72 Ibid.

In addition, NYCHA spent around $98 million in 2018 in overtime expenses for ongoing maintenance work.[73] This overtime expense was partially attributable to NYCHA's labor contracts, which required that any maintenance work done outside of 8:00am–4:30pm, Monday through Friday, be paid at overtime rates.[74] Other labor contract issues, such as work scheduling requirements and restrictive job descriptions, have limited NYCHA's ability to use its labor more efficiently and effectively and to address its enormous number of open work orders.[75]

As an example, in order to fix a tub faucet, NYCHA has typically needed to bring in workers classified as laborers, plumbers, carpenters, and hard tilers to each complete a specific aspect of the repair. This not only drives up costs given higher pay rates for skilled labor and the increased likelihood of overtime because of the difficulties of scheduling multiple visits to the apartment, but more importantly, it means that it takes far longer to complete any given work order.

Together, these requirements have not only exacerbated the inability to clear the work order backlog, but also have meant that a large portion of maintenance must be paid at higher overtime rates in order for the work to be done when residents are home. The financial impacts of these requirements have been significant; NYCHA spent around $98 million in overtime in 2018, and would expect to spend around the same in 2019, greatly inflating the cost of operating public housing relative to other properties that do not have such requirements for routine maintenance.

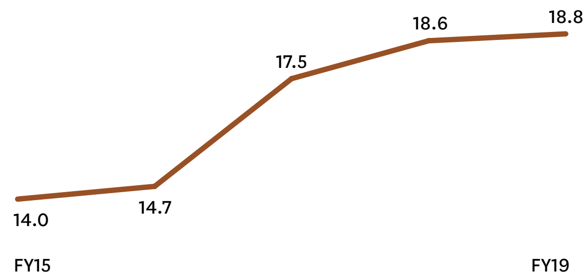
73 Ibid.

74 New York City Housing Authority, "NYCHA Hails Landmark Ratification of New Work Rules, Seven Day a Week Schedules" (January 11, 2019). Retrieved from https://www1.nyc.gov/site/nycha/about/press/pr-2019/pr-20190111.page

75 New York Post, "NYCHA's Union Problem." (March 18, 2018). Retrieved from https://www.nypost.com/2018/03/17/nychas-union-problem/

Moreover, despite the significant overtime work, the backlog of work orders still grew over 82 percent from April 2018 to April 2019, to over 279,000 open work orders,[76] and the average time to resolve non-emergency service requests has steadily increased over the past few years as conditions have worsened.

NYCHA's service delivery times have worsened over the past several years (average time to resolve non-emergency service requests, in days)



Source: 2019 Mayor's Management Report

NYCHA recently rolled out its NYCHA Cares initiative, which uses a special $20 million grant from the City to quickly address over 50,000 open skilled trade work orders, for repairs that require plumbers, electricians, carpenters, painters, and other skilled labor.[77] NYCHA also moved to implement changes through the "FlexOps" program, which it piloted in 2016 at 12 developments. The program provided staggered shifts for property management staff at regular pay rates, along with one-time bonuses for workers participating in the program. However, the pilot relied on volunteers, and was ultimately ended after courts approved a union-filed injunction.[78]

76 New York City Housing Authority, "NYCHA Metrics: Public Housing Open Work Orders". Retrieved from https://eapps.nycha.info/NychaMetrics/Charts/PublicHousingChartsTabs/?section=public_housing&tab=tab_repairs

77 New York City Housing Authority, "Adopted Budget for FY 2019 and Four Year Financial Plan FY 2020-2023" (April 2019). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf

78 New York City Housing Authority, "Adopted Budget for FY 2019 and Four Year Financial Plan FY 2020-2023" (April 2019). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf

To confront the overtime and timely work order issues, NYCHA ratified an agreement with the leadership of Teamsters Local 237 in January of 2019.[79] The 43-month agreement adds new work schedules for Caretakers and Supervisors for the first time in approximately 50 years. Since the 1960's, the only schedule for these employees has been Monday through Friday, 8:00 AM to 4:30 PM. Under this agreement, there are now five possible schedules covering early mornings, beginning at 6:00 AM, and evenings until 7:00 PM, including Saturdays and Sundays. This would likely enable NYCHA to better maintain buildings and deliver faster service. However, in May 2019 the Local 237 Maintenance Workers voted down the contract by a count of 357-210. The next step is arbitration.[80]

Fringe and Pension Benefits

Many NYCHA employees are in titles designated as "physically taxing," which allows them to retire at age 50, as opposed to age 62, the threshold for most City employees.[81] In addition, NYCHA provides a pension and health-care for over 8,000 retirees, generating higher costs than most private developers that do not provide such generous benefits.

79 Office of the Mayor, "Mayor de Blasio and Teamsters Local 237 Secure Fair Wages, New Schedules for Approximately 1,000 NYCHA Maintenance Workers" (April 9, 2019). Retrieved from https://www1.nyc.gov/office-of-the-mayor/news/187-19/mayor-de-blasio-teamsters-local-237-secure-fair-wages-new-schedules-approximately-1-000

80 "Local 237 Maintenance Workers Veto Pay Deal that Extended Hours at HA" (May 2019) Retrieved from https://thechiefleader.com/news/news_of_the_week/local-maintenance-workers-veto-pay-deal-that-extended-hours-at/article_c3024470-7340-11e9-9c59-b77362705b8f.html

81 Citizen's Budget Council, "Cleaning House" (April 2015). Retrieved from https://cbcny.org/research/cleaning-house

Fuel & Utilities

Fuel and utilities in NYCHA units account for approximately 25 percent of the public housing operating budget, with water, gas and fuel, and electricity each accounting for about one third of the total cost.[82] NYCHA pays utility bills on behalf of almost all of its tenants, which creates little incentive for individuals to curb energy usage. A comparison of NYCHA's master-metered and direct-metered buildings indicates that residents whose utility bills are paid by NYCHA use almost four times as much electricity as residents who pay their own electricity bills.[83] While reductions in utility expenses are typically offset by decreases in federal operating subsidy, NYCHA can leverage HUD's Energy Performance Contracts to retain a portion of energy savings, and to pay debt servicing costs on green-retrofit investments.[84]

Aging and deteriorating building envelopes, facades, deferred maintenance, and lack of incentive to invest in energy-efficient technologies, limit NYCHA's ability to achieve significant utilities savings. 92 percent of NYCHA developments use steam heating, and most developments use steam boilers. Both these systems use more energy than alternative technologies, such as hot water heating systems. Approximately 45 percent of NYCHA's boiler systems are over 25 years old, the typical useful life for a boiler,[85] and NYCHA plans on replacing 314 boilers over the next five years.[86]

82 New York City Housing Authority, "Adopted Budget for FY 2019 and Four Year Financial Plan FY 2020-2023" (April 2019). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf

83 New York City Housing Authority, "NextGeneration NYCHA Sustainability Agenda Report" (April 22, 2016). Retrieved from https://www1.nyc.gov/assets/nycha/downloads/pdf/NGN-Sustainability.pdf

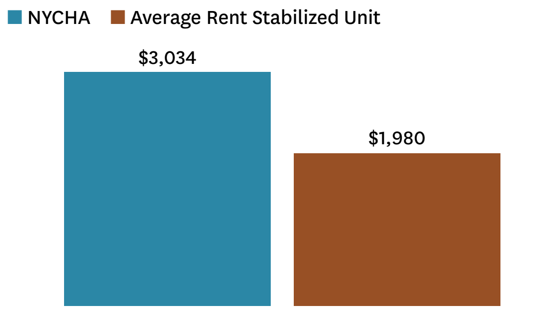
84 "NYCHA Announces New $104.6 Million Energy Contract To Improve Efficiency, Heating At 15 Developments" (October 23, 2018). Retrieved from https://www1.nyc.gov/site/nycha/about/press/pr-2018/pr-20181023.page

85 Ibid.

86 New York City Housing Authority, "NYCHA Announces Awards for New Boilers for 11 Developments Across the City" (March 7, 2019). Retrieved from https://www1.nyc.gov/site/nycha/about/press/pr-2019/pr-20190307.page

Further, NYCHA's outdated temperature sensors do not measure indoor temperature, which causes particular apartments to be wastefully overheated in the winter.[87] The heating energy use intensity of the median NYCHA building, in terms of kBTU/square foot, is about 56 percent worse than the average for New York City multifamily buildings.[88] NYCHA's overall average energy performance is about 40 percent worse than the citywide average for multifamily buildings.[89]

NYCHA spent over $1,000 more on Fuel & Utilities than the Average Rent Stabilized Unit in 2017



Sources: NYCHA'S Comprehensive Annual Financial Report (2017 and 2016), Rent Guidelines Board Income and Expense Study (2019)

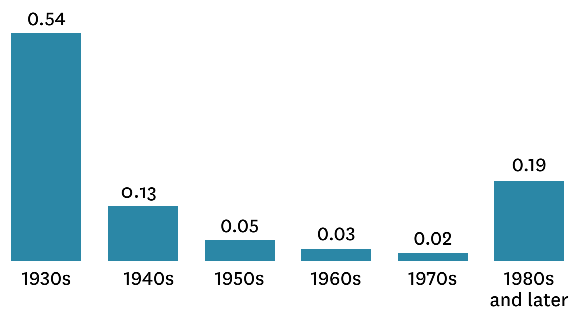
Over half of NYCHA's units were constructed in the 1950s or earlier, with building envelopes, insulation, and piping systems that are below today's standard for newer construction. Poor building insulation creates more leakage of heat, and old piping systems require more energy to generate the same amount of heat as more modern distribution technologies. Furthermore, poor piping distribution systems lead to over-heated lower units, and under-heated higher-floor units during the winter. These building system issues end up costing NYCHA more resources, as it is significantly more expensive to heat an older development than a modern one.

87 Ibid.

88 Ibid.

89 Ibid.

Average Heat Consumption per unit per day, by decade constructed (therms)



Sources: NYCHA, Electric Consumption and Cost via NYC Open Data

NextGen and NYCHA 2.0

NYCHA has outlined a number of promising initiatives to improve operations and attract additional funding through its 10-year NextGen NYCHA roadmap. Promising plans include improving rent collections, shrinking its central office workforce, reducing energy consumption through retrofits, decentralizing property management, overhauling and digitizing its work order system, and tapping into underutilized assets such as vacant land and parking lots. Given the magnitude of the Authority's needs, even these promising strategies will only make a small dent in NYCHA's large capital deficit. As described in other research,[90] it is possible that the rehabilitation costs for some developments could exceed demolition and replacement costs within the next 10 years. In low-vacancy rate New York City, relocation and demolition is unlikely to be an option for the Housing Authority.

90 Citizens Budget Commission, "Stabilizing the Foundation: Transforming NYCHA to Address its Capital Needs" (July 2018). Retrieved from https://cbcny.org/research/stabilizing-foundation

Conclusion

As we have documented in our series on New York City's public housing stock, NYCHA is a major contributor to the diversity and vibrancy of New York City. For nearly 85 years, NYCHA has provided subsidized, income-based housing for working families, seniors, immigrants, and people with disabilities. Yet with housing affordability as pressing an issue as ever, and with New York facing record levels of homelessness, this multi-billion dollar public asset faces a true crisis, and is in need of major investment to improve its short- and long-quality and conditions. Public attention to the issue is high, and local, state, and federal political leaders have started to make changes. After years of charging NYCHA for basic services like public safety, the City of New York has committed new capital and created a long-term strategy for improving the quality of NYCHA buildings by using tools made recently available by the federal government. Congress has also increased funding, despite annual requests from the White House to eliminate public housing capital funding. Federal law enforcement has intervened, though it remains to be seen if a federal monitor is able to significantly improve NYCHA's housing quality in the absence of additional federal dollars. The State has pledged funding, and though it has not yet materialized, it has been allocated.

Despite these recent efforts, without a sustained commitment to management reform by the City, and a major increase in government support paired with extensive private investment, NYCHA and its residents will continue to face relatively poor housing quality. Managing and maintaining housing, especially buildings that have significantly aged, is an expensive and logistically challenging proposition. For the various layers of government to continue to offer this resource over the next decades, they must work together to use public resources efficiently, and with a long-term outlook. Investment in the City's public housing will increase the physical quality of a major segment of the city's overall housing stock, but most importantly, it will provide the safe and decent housing that over 400,000 primarily low-income New Yorkers deserve.

Data analysis and research for this brief was provided by Tristessa Arthur, Max Brueckner-Humphreys, and Daniel Rubin.