



# Ending the NYCHA Blame Game: A Multi-Pronged Solution to Fix Decades of Disinvestment

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Community  
Preservation  
Corporation

## PRESIDENT'S MESSAGE



**Dear Reader,**

New York City is home to the nation's oldest and largest public housing system – a lifeline providing permanently and deeply affordable housing to over 400,000 New Yorkers. Our city needs public housing, and yet our public housing is failing its residents.

We have all seen the headlines about conditions deteriorating at NYCHA. Mold, lead, rodents, heat and elevator failures and more plague residents on a daily basis. NYCHA has been consistently underfunded, lacking adequate operating subsidy and the roughly \$40 billion that is needed to address its capital needs. With desperately needed repairs and renovations and little funding to see it through, NYCHA is in crisis.

For decades elected officials, advocates, and many others have claimed to fight for NYCHA without delivering meaningful change, eroding trust and leaving tenants living in the same unacceptable, and oftentimes hazardous conditions. NYCHA's tenants are running out of time as we wait for our leaders to advance solutions that will preserve the homes of hundreds of thousands of New Yorkers.

This year brought new administrations at the state and federal level, both of which are prioritizing infrastructure and affordable housing, and next year New York City will welcome a new mayoral administration and dozens of new members in our City Council. It is critical for this leadership to work together towards real, actionable solutions for NYCHA.

The following report identifies the main strategies for the long-term preservation of NYCHA's housing. Often these paths forward are presented as mutually exclusive options – a “pick this or that” discussion. We have to stop making false choices: the extent of NYCHA's problems are far more complex and diverse than that, and will require all of the available resources and tools to make meaningful change for residents.

We are currently working on a RAD/PACT project as part of a larger development team to finance the renovation and preservation of 16 NYCHA properties in Manhattan. In my decades of experience in housing and community development, I have rarely seen conditions like the ones we found at a number of the properties we are working with. We are proud to deliver safe, clean, renovated apartments and upgraded building systems to the tenants in these developments, but I also wish we could have done more. With a layering of additional resources, we could have included significant energy efficiency and sustainability upgrades and retrofits – helping to make the residents' homes more sustainable over the long-term while also helping to meet the City's decarbonization goals.

This report will demonstrate the necessity of implementing a diverse set of policies aimed at fully funding NYCHA repairs and sustaining quality public housing for New York City. Bringing NYCHA into the 21st century would deliver safe, clean and sustainable homes to New Yorkers for years to come. It is my hope that new and incoming administrations will work together to restore NYCHA to being a safe, sustainable public good.

**Sincerely,**

A handwritten signature in black ink, appearing to read 'R. Cestero'.

**Rafael E. Cestero**  
**President & CEO**

**The Community Preservation Corporation**

# Ending the NYCHA Blame Game: A Multi-Pronged Solution to Fix Decades of Disinvestment

The New York City Housing Authority (NYCHA) is New York City's largest landlord, with more than 2,000 buildings in its portfolio housing over 350,000 authorized residents. It has long been an essential source of permanently affordable housing in NYC, with NYCHA public housing units representing 7.7% of the city's rental apartments and serving 4.3% of the city's population. Today, we have reached an inflection point for NYCHA and need to make progress quickly to preserve, improve and sustain the largest source of affordable housing in New York. More than 70% of NYCHA buildings are at least 50 years old.<sup>1</sup> NYCHA's housing stock requires critical investment if it is to remain habitable. As NYCHA residents are almost 95% people of color, this is as much about racial equity as it is about housing affordability.<sup>2</sup> Significant investment is necessary to address racial inequities and environmental hazards that are disproportionately affecting New Yorkers living in public housing.

## EXECUTIVE SUMMARY

For too long, advocates and elected officials have claimed to make NYCHA a priority and care about the future of NYCHA, but have come up short in delivering real change to residents.

Residents are scared of change because they have dealt with decades of distrust and abandonment. They have every right to be suspicious of new proposals, but when it comes down to it, residents want and deserve affordable and safe homes. For 40 years, elected officials and advocates have been using the same line: the federal government will deliver the money needed. Instead, NYCHA has seen less money while residents' homes continue to deteriorate, actively making them and their children sick.

Real action is going to upset some people and will not be easy, but it is necessary if NYCHA is finally going to get the repairs and stable funding it needs to continue into the future.

With over \$40 billion in capital needs and an ongoing operating deficit, the debate is centered not just on getting capital repairs completed but ensuring long term operating stability as well. There are three opportunities available for NYCHA's future:

- **Public-private partnerships in the form of RAD/PACT**, where NYCHA collaborates with private and nonprofit development partners to deliver comprehensive repairs and convert the buildings to Project Based Section 8. This allows for immediate repairs and more stable operating funding under Section 8.
- A new **Trust for Public Housing** that would convert developments to Tenant Protection Vouchers (TPV), allow NYCHA to leverage debt for repairs and overhaul the current bureaucratic procurement issues to deliver faster repairs. TPVs are Section 8 vouchers that provide a much higher operating value than NYCHA's traditional Section 9 funding.
- Federal funding is the most often supported plan, and Congress has a proposal for a large one-time infusion of up to \$80 billion of capital funding into Public Housing Authorities (PHAs) across the country. If NYCHA were to receive the **\$40 billion** it needs today, it would be an incredible shift in federal commitment, but this does not address the operating issues.

<sup>1</sup> NYCHA 2021 Fact Sheet. [https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-Fact-Sheet\\_2021.pdf](https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-Fact-Sheet_2021.pdf)

<sup>2</sup> NYCHA Resident Data Book Summary, January 2021. <https://www1.nyc.gov/assets/nycha/downloads/pdf/Resident-Data-Book-Summary-2021.pdf>

Short-term appeasement and drop-in-the-bucket funding increases will no longer suffice. NYCHA is at a pivotal moment, and rather than fight for one plan or the other, leaders should be calling for all three. Comprehensive government action must be taken now:

- Congress should immediately pass the one-time infusion of capital funding with \$40 billion set aside for NYCHA. It will take years for that to be spent, but critical infrastructure, i.e. heating and mold issues, can be addressed immediately.
- When that capital is finally flowing into NYCHA's coffers, the State should take action to approve the Public Trust so the Authority can cut through the procurement hold ups that are limiting its ability to spend money faster.
- Parallel to the State legislative action, the City and State should work together to commit a substantial annual funding allocation to support the ongoing capital needs.

Finally, as Congress and the State act, the City should continue to move forward with PACT/RAD conversions. These are smaller portfolios but for every conversion hundreds or thousands of NYCHA residents receive long-awaited repairs and see their homes restored to the safe, quality homes that every person deserves. While this brief is focused on capital strategies for NYCHA, the management and operational challenges must also be addressed. NYCHA must continue working closely with U.S. Department of Housing and Urban Development (HUD) and the federal monitor to make significant changes to become a more efficient organization that is more transparent and accountable to residents.

## **NYCHA'S FUNDING HISTORY**

NYCHA has been severely underfunded for decades. Public Housing was designed with robust operating subsidies and capital funding from the federal government, a model that has not been adequately funded since the late '70s, and building conditions have deteriorated. While most home or building owners are able to use a mortgage or equity loan to finance necessary capital repairs, Public Housing Authorities (PHAs) are not able to follow similar practices. These factors have contributed to NYCHA's estimated \$40 billion in capital needs, which grows by approximately \$1 billion each year that it goes unaddressed.<sup>3</sup> Along with the capital expenditures to address health and safety, NYCHA estimates that an additional \$8 billion will be necessary to address climate-related health and resiliency items—including, but not limited to, weatherization and system electrification to reduce operational Greenhouse Gas (GHG) emissions and bring these buildings into compliance with a new local law.<sup>4</sup> This would bring the total renovation costs to \$48 billion, of which approximately 17% would fund sustainability and resiliency upgrades. The City of New York and NYCHA are under a federal agreement with HUD requiring substantial investment in systems like heating, elevators, lead paint removal and mold and pest control, but lack the capital resources to deliver these renovations, excluding resiliency and other upgrades.<sup>5</sup> NYCHA estimates the cost to stabilize the portfolio, addressing only the key areas from the agreement, would cost approximately \$18 billion.<sup>6</sup>

<sup>3</sup> Testimony from NYCHA Chair & CEO Gregory Russ, NY State Assembly Committee on Housing, Dec. 8, 2020. <http://nystateassembly.granicus.com/player/clip/5695>

<sup>4</sup> Refers to Local Law 97. Additional detail included in the "Discussion" section below.

<sup>5</sup> <https://archives.hud.gov/news/2019/HUD-NYCHA-Agreement013119.pdf>

<sup>6</sup> Blueprint for Change Brief. [www1.nyc.gov/assets/nycha/downloads/pdf/Blueprint\\_for\\_Change\\_Brief\\_8.5x11\\_English.pdf](http://www1.nyc.gov/assets/nycha/downloads/pdf/Blueprint_for_Change_Brief_8.5x11_English.pdf)

In addition to the growing capital needs, NYCHA's operating budget has been stretched. NYCHA receives a prorated share of the public housing operating funds from the federal government, and in 2020, the NYCHA allocation was \$11 million less than expected from the federal operating subsidy and subsidies from the City of New York were \$34 million less than budgeted. Additionally, NYCHA's rent collection rate, which is expected to provide one third of the overall operating budget, has been declining since 2016. The COVID-19 pandemic created an additional strain, with increased operating costs and over 20,000 households requesting rent reductions since March 2020. NYCHA's rent collection rate was only 82% in November 2020; at that time, NYCHA estimated it would collect \$64 million less in rent than anticipated in its initial budget.<sup>7,8</sup> As of June 30, 2021, NYCHA tenants owed \$241 million in arrears.<sup>9</sup>

NYCHA also faces unique political and regulatory challenges. NYCHA is a federally subsidized entity that was created by the State of New York and operates as a quasi-City agency. As such, it is regulated by the city, state and federal governments, yet no one is fully responsible for the Agency. The recently signed HUD agreement blurs these lines further, with the City of New York assuming financial responsibility.

This structure has made NYCHA the ultimate political football. Over the entirety of its 75+ years, funding has been politicized and punted at all levels – city, state and federal. Advocates and elected officials have built careers advocating for NYCHA, or against NYCHA or on NYCHA issues, but have demonstrated no real change for residents. Considering this history of inaction, local advocates are wary of change and new partners, while waiting on federal funding that has been promised for decades and has failed to materialize.

This brief will lay out the three main capital strategies for NYCHA. While NYCHA is under a federal monitor to address management and operations challenges, this paper is focused on strategies to increase resources for capital repairs. NYCHA should continue working closely with HUD and the federal monitor to make important management and operational changes.

## THE PATH FORWARD FOR NYCHA

NYCHA needs capital resources to make repairs and adequate operating subsidies to maintain properties long term. There are three tools currently being discussed to deliver necessary repairs to NYCHA residents: public-private partnerships including the Rental Assistance Demonstration, a new model called the Public Housing Preservation Trust and a one-time infusion of Public Housing Capital from the federal government.

**Public Private Partnerships** are currently the only tool available to PHAs nationally. The Rental Assistance Demonstration (RAD) program (locally called Permanent Affordability Commitment Together or "PACT") was developed by HUD under the Obama administration to allow PHAs to work with private and nonprofit development partners to deliver comprehensive repairs and convert the buildings to Project Based Section 8. In New York City, residents retain all rights and protections.

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<sup>7</sup> Citizens Budget Commission, NYCHA's Operating Outlook: More Uncertainty Amid Pandemic and Repair Needs. February 3, 2021. <https://cbcny.org/research/nychas-operating-outlook>

<sup>8</sup> New York City Independent Budget Office, Focus On: The preliminary Budget. <https://ibo.nyc.ny.us/iboreports/housing-authority-budget-faces-challenges-as-city-looks-to-a-post-covid-future-april-2021.pdf>

<sup>9</sup> City Limits, NYCHA Seeks to Recover \$124 Million in COVID Rent Relief. <https://citylimits.org/2021/08/23/nycha-seeks-to-recover-124-million-in-covid-rent-relief/>

NYCHA maintains ownership of the land and works with development partners who provide property management and social services. In this model, capital repairs are made, and Section 8, which has traditionally received higher federal support than Section 9, offers a reliable source of operating subsidy. Concerns about private development partners have been raised by stakeholders, and some are skeptical regarding the protection of resident rights even though they are expressly protected by law. In 2018, Mayor de Blasio announced a 10-year plan called NYCHA 2.0 to complete repairs of 62,000 NYCHA units through public private partnerships.

In addition to RAD/PACT, NYCHA may also work with private partners to transfer unused Air Rights (development rights) or infill development on underutilized land to raise capital to invest back into developments. In NYCHA 2.0, the City estimated a transfer of 80 million square feet of unused development rights could generate \$1 billion for capital repairs at adjacent developments.

**The New York City Public Housing Preservation Trust** is a new, fully-public conversion model developed to address resident and community concerns about private development partners. This approach requires state legislation to establish a new public benefit corporation, move properties into the Trust through a fully public transfer process and leverage Tenant Protection Vouchers (TPVs) to deliver necessary repairs to residents. The first in the country, the Public Trust would allow NYCHA to leverage debt, deploy capital funds more quickly, and cut through a number of procurement challenges. NYCHA would retain ownership and residents will continue to have all rights and protections, as with RAD/PACT. As proposed, the Public Trust plan would generate \$18-25 billion in 110,000 apartments, the balance of units not slated for renovating through the Public-Private Partnership model.<sup>10</sup>



*Example of a NYCHA development kitchen before renovation and a kitchen in the same building after renovation by the PACT Renaissance Collaborative (PRC), a group of mission-driven organizations including CPC that is renovating, preserving and maintaining the NYCHA Manhattan portfolio of 16 developments. The project is part of the RAD/PACT program.*

<sup>10</sup> A Blueprint For Change NYCHA Factsheet. [https://www1.nyc.gov/assets/nycha/downloads/pdf/Learn-More-About-Blueprint-For-Change\\_English.pdf](https://www1.nyc.gov/assets/nycha/downloads/pdf/Learn-More-About-Blueprint-For-Change_English.pdf)

TPVs offer a more robust operating subsidy, worth almost two times as much as Section 9 subsidies, which would create a sustainable funding source for long-term maintenance and preservation of the properties. State Senator Brian Kavanagh and Assemblymember Steven Cymbrowitz introduced legislation in the 2021 session to create the Public Housing Preservation Trust (S6999A/A7805), but it was not advanced. Advocates and resident leaders have raised concerns about NYCHA being able to leverage debt, including the concern that they could default on a loan. Bill sponsors included language giving the right to the City and State to remedy any default.



*99 Fort Washington Avenue, part of the NYCHA Manhattan portfolio being renovated by PRC, is pictured here before renovation.*

**A one-time infusion of Public Housing Capital** would offer NYCHA access to capital dollars for repairs through the traditional public housing funding stream. This would not offer a solution to NYCHA's ongoing operating subsidy deficit. Current infrastructure proposals include historic levels of funding for public housing, but it is unlikely that NYCHA will receive the \$40 billion that it needs. The President's American Jobs Plan included \$40 billion in capital for Public Housing Authorities nationally, but this funding was not included in the bipartisan Infrastructure Investment and Jobs Act. The House and Senate are currently working towards a \$3.5 trillion infrastructure and economic recovery reconciliation bill, which may include massive investments in areas like the environment, housing, education and health care. This bill currently includes \$80 billion in Public Housing Capital nationally. Negotiations are ongoing about the spending level, but also about the distribution of funds among Public Housing Authorities nationally. If the Public Housing Capital backlog is not included in this infrastructure package, with record spending levels under Democratic control of the House and Senate, it will be unlikely to ever materialize.

## **DISCUSSION**

Each of these strategies maintains NYCHA ownership and retains all resident rights and protections while bringing necessary resources to the table. Both the Public Private Partnership model and Preservation Trust include operating subsidy through TPV/Section 8. TPVs offer the most robust Section 8 operating subsidy available, which will help maintain and preserve NYCHA developments long term. Funding for Section 8 is also more stable than Section 9, and it has historically fared better in the federal appropriations process. The procurement flexibilities made possible through the Public Trust would allow the Authority to deploy Public Housing Capital funds more quickly and stretch money further. If Public Housing Capital funds are truly intended to "Build Back Better," coupling this resource with the Public Trust would allow for more efficient use of the funds and additional operating subsidy.

These resource decisions cannot be put off any longer. Conditions within NYCHA's housing stock have deteriorated to the point of being harmful to resident health. The HUD agreement sets objectives to significantly improve in six high-priority areas: lead-based paint, mold, heat, elevators, inspections and pests and waste management. The federal government did not include any resources as part of the agreement, therefore NYCHA will need to use the strategies discussed earlier to address these deficiencies.

A recent study of health outcomes of NYCHA residents before and after renovations showed a modest improvement in overall disease burden among areas that relate to housing quality and indications that wellness would likely improve long term.<sup>11</sup> Investments must be made soon to provide residents the healthy, quality housing they deserve.

A meaningful investment in the long-term preservation of the nation's public housing stock should also bring buildings up to current green building practices, make them more resilient to long-term impacts of climate change and prepare them for future carbon regulation. New York City's Local Law 97 of 2019 (LL97), one of 11 laws included in the Climate Mobilization Act, directs NYCHA to "make efforts to reduce greenhouse gas (GHG) emissions by 40% by the year 2030 and 80% by the year 2050, relative to such emissions for calendar year 2005."<sup>12</sup> Making the NYCHA portfolio more energy efficient and less reliant on fossil fuels will create healthier homes and benefit the communities surrounding NYCHA developments by ensuring that residents are safer from climate-driven risks like increasing heat, precipitation and sea-level-rise that are already impacting NYC and its buildings.



*A NYCHA resident shows her apartment to part of the RAD/PACT team who will be delivering comprehensive renovations to her unit.*

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<sup>11</sup> Renovating Subsidized Housing: The Impact On Tenants' Health. Health Affairs. Feb 2020. <https://www.healthaffairs.org/doi/10.1377/hlthaff.2019.00767>

<sup>12</sup> [https://www1.nyc.gov/assets/buildings/local\\_laws/ll97of2019.pdf](https://www1.nyc.gov/assets/buildings/local_laws/ll97of2019.pdf)



## The Cost of Decarbonization and Long-Term Sustainability at NYCHA

In order for NYCHA to achieve the aggressive carbon reduction goals set forth in LL97, building electrification and grid decarbonization are both necessary. The Community Leadership and Climate Protection Act (CLCPA)<sup>1</sup> presents an ambitious statewide goal of achieving a carbon-free electric grid by 2040 and an 85% reduction in GHG emissions by 2050. It is important to note that an electrification measure is only helpful in achieving compliance with LL97 if the electricity grid simultaneously decarbonizes.



There are significant resource requirements to finance the upgrades required to allow NYCHA to comply with the goals set out in LL97. In May 2020, Bright Power, Inc completed a study<sup>2</sup> looking at the costs associated with electrifying NYCHA's Manhattan Mega Bundle, a portfolio of 38 buildings, 1,718 units, and approximately 1.7 million square feet. Based on that study, the portfolio should be able to meet the 2030 NYCHA carbon goals by undergoing the energy efficiency rehabilitation established as part of the upgrades associated with the RAD conversion, assuming that the electric emissions factors are the same or better in 2030 than they are today. The base retrofit measures include items such as weatherization of doors, window replacement, roof insulation, LED lighting, refrigerator replacement, upgrades to exhaust fans, ventilation and elevator mechanicals. The 2050 NYCHA carbon goals, on the other hand, are significantly more aggressive and can only be achieved through a combination of building electrification and grid decarbonization.

The Bright Power, Inc study first accounted for savings from the proposed efficiency work in order to create an adjusted baseline, from which the electrification study was based. The costs associated with the electrification of the Manhattan bundle, allowing for long-term compliance through 2050 (assuming a 100% carbon-free electric grid), are below:

- \$37,489,000 to electrify heating and cooling, or about \$22,300 per unit;
- \$42,172,000 to fully electrify building systems including domestic hot water (DHW), or about \$25,100 per unit; and
- \$61,548,000 to retrofit with an improved envelope and fully electrified systems, or about \$36,700 per unit.<sup>3</sup>

The required renovations are estimated to be approximately \$160,000 per unit; while there may be some overlap in the electrification scope and the required renovation scope, with additional resiliency upgrades, the total cost per unit is anticipated to be between \$182,000 and \$197,000.

Decarbonizing NYCHA's portfolio would have significant benefits to NYCHA residents and New York City. Efforts to green NYCHA's portfolio are essential and have broad support, though they cannot be executed under current budget constraints, and no resources have been made available.

<sup>1</sup> <https://climate.ny.gov/>

<sup>2</sup> Manhattan Mega Bundle Electrification Study. Bright Power. May 2020.

<sup>3</sup> These estimates do not include annual projected utility cost savings associated with the energy efficiency and electrification upgrades.

## RECOMMENDATIONS

Renovating and modernizing NYCHA's portfolio to provide the safe, clean and sustainable homes that New Yorkers deserve will require all of the methods available. At a critical moment with new leadership at the state and federal level, and an incoming new Mayoral administration, we must work together to activate all of the resources and flexibilities to address NYCHA's conditions. Each level of government must take steps to deliver needed repairs to NYCHA residents:

- The Governor and incoming Mayoral Administrations must work together and provide NYCHA at least \$1.5 billion each in City and State capital annually, while also working to advance PACT and the Public Housing Preservation Trust. New Capital funds should be targeted for comprehensive modernization of whole developments, rather than component replacement.
- Leaders in the State Assembly and Senate must work together to pass the Public Housing Preservation Trust and create the country's first public process for rehabilitating and preserving public housing. The Public Trust model should be piloted and evaluated by a third party.
- HUD should allocate 12,000 Tenant Protection Vouchers as a proof-of-concept investment in the Public Trust model and fund a third-party evaluation of the model. HUD and NYCHA should partner to identify target high-need developments and provide comprehensive modernization through the Trust.
- The New York Congressional delegation must deliver Public Housing Capital in the infrastructure package and establish a distribution formula that works for NYCHA, including prioritization of funds for PHAs under a monitor. The delegation must also acknowledge that a one-time infusion of capital funding will not resolve NYCHA's problems alone, and embrace strategies such as RAD/PACT and the Public Trust.



*A NYCHA resident outside her Manhattan apartment, before renovation under the RAD/PACT program.*

### About The Community Preservation Corporation

CPC was formed in 1974 in direct response to property abandonment and blight New York City was facing at the time. Over our 47-year history, CPC has financed the preservation and construction of more than 220,000 units of residential housing, supported numerous downtown revitalizations and improved the quality and energy efficiency of the multifamily stock across New York State and beyond. CPC has deployed nearly \$12 billion in private and public capital for affordable housing and community development.

Given CPC's mission and focus on building and preserving affordable housing, we stand as a partner to government in working towards solutions for the long-term preservation of NYCHA.

CPC is a partner on the PACT Renaissance Collaborative, also comprised of the Community Development Trust (CDT), Monadnock Development, Kalel Holdings, Lemor Development Group, Community League of the Heights (CLOTH) and Cornell Pace Inc. (CPI). The team has decades of experience in the financing, rehabilitation and management of affordable housing and understands the importance of both consistency during a transition process, and of building meaningful partnerships with tenants and staff. PRC was selected by NYCHA via a competitive request for proposals, as the development team that is now financing, rehabilitating and managing the Manhattan portfolio of 16 properties. PRC is also coordinating enhanced social services delivery to residents of the properties. The project is part of NYCHA's PACT program, the City's iteration of the RAD program, which aims to stabilize and revitalize the city's irreplaceable public housing stock.