Published in the

THE HUFFINGTON POST

The New York City Housing Authority's Bold Plan Deserves Support

By Carol Kellermann

Mayor Bill de Blasio and Shola Olatoye, Chair and CEO of the New York City Housing Authority (NYCHA), released on May 19th a 10-year roadmap called "NextGeneration NYCHA". The roadmap is a bold plan that deserves to be supported.

The New York City Housing Authority plays a crucial role that should be fulfilled through smoothly functioning operations and sound financial management. NYCHA is home to more than 400,000 New Yorkers. It is the nation's largest and oldest public housing authority - bigger than the next 11 combined. Yet as the roadmap itself acknowledges, "the promise of NYCHA as decent, affordable housing is under serious threat as the Authority confronts the worst financial crisis in its history."

In April the Citizens Budget Commission (CBC) released a report titled Cleaning House: How to Close the New York City Housing Authority's Operating Gaps. It showed NYCHA has struggled with operating deficits in the last decade and continues to project deficits that grow to $194 million in 2019.

The main sources of the deficits, according to the CBC report, are: insufficient and unreliable operating subsidies; low non-rental income, including parking fees, commercial activity, and undeveloped land; low rent collections, and high operating costs per unit. NYCHA's average rent collection rate is just 77 percent, and NYCHA's monthly operating costs are $320 per unit greater than that of a private rent-stabilized unit. Primary drivers of the high operating costs include: high personnel costs due to generous fringe benefits, inflexible work rules, and a redundant management structure; high utility costs, which tenants do not pay and have no incentive to curb; operation of duplicative community and senior centers; and limited use of outside maintenance contracts.

The CBC report recommends that NYCHA address operating deficits through the following actions:

Raise Operating Revenues - Increasing rent collection rates to HUD's 95 percent target will generate an estimated $39 million in 2015. NYCHA can also generate more than $26 million annually in non-rental income by increasing parking fees closer to market rate, increasing monthly fees for appliances, expanding commercial activities, and raising rent collections from nonprofit tenants that do not make any payments.

Curb Expenses - Streamlining management to curtail the scope of responsibility for borough offices to non-redundant functions would save $33 million annually by 2019. Eliminating responsibility for

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community and senior centers would save $19 million annually and rely on service provision by better-equipped City agencies and nonprofits.

Improve Productivity - NYCHA can improve productivity by increasing use of Job Order Contracting, which streamlines and shortens the process to perform more routine maintenance; negotiating work rule changes in collective bargaining to limit overtime compensation for work performed in the evenings and on weekends; and, in the long term, pursuing cost savings through private property management companies. Following these measures to reduce the operating cost gap between NYCHA and rent-stabilized units by only 10 percent would yield $68 million in annual savings.

The NYCHA roadmap pursues many of these recommendations. It anticipates increasing annual operating revenues by $30 million through increased rent collections, $5 million by 2019 from higher parking fees, and $1 million from increased commercial activity. It would curb expenses by transferring 24 community centers to the NYC Department of Youth and Community Development and 17 senior centers to the NYC Department for the Aging, saving $16 million annually, and reducing NYCHA's office headcount for $90 million in annual savings by 2019.

The NYCHA roadmap embraces the CBC analysis that the current deficits are due, in part, to low non-rental income and proposes two types of residential infill development to generate a total of $400 million to $800 million over 10 years, which would be reinvested in adjacent developments and ensuring NYCHA's financial stability. Some new developments would be entirely devoted to affordable housing, and some would be 50 percent affordable and 50 percent market rate.

The "NextGeneration NYCHA" roadmap has other features too numerous to discuss here, but overall it reflects the bold innovative thinking NYCHA requires to fulfill its mission. NYCHA should be not only the largest and oldest public housing authority in the nation but also the best-run. The roadmap heads the organization in the right direction.