Testimony on the NYCHA Physical Needs Assessment

Submitted to the New York City Council Committee on Public Housing

November 15, 2018

Thank you for holding this hearing on the capital needs of the New York City Housing Authority (NYCHA) and for the opportunity to testify. My name is Sean Campion, and I am a Senior Research Associate at the Citizens Budget Commission. CBC is a nonprofit, nonpartisan civic organization whose mission is to achieve constructive change in the finances and services of New York State and New York City Government.

NYCHA has an astounding $32 billion in capital needs, a nearly fivefold increase over the last decade. Today nearly all its properties require substantial rehabilitation, on average approximately $181,000 per unit. Without dramatic action, up to 90 percent of NYCHA's 176,000 units of public housing could deteriorate to the point at which they are no longer cost effective to repair by 2027.

In July CBC released “Stabilizing the Foundation,” a report that identified the root causes of NYCHA's capital crisis and proposed strategies the City and the Housing Authority can use to mitigate the deterioration, stabilize the system, and improve tenants' quality of life.

Our report identified three root causes of the deterioration:

1. NYCHA's capital funding over the last 15 years was essentially flat, even as its needs and the cost to address them grew;
2. Inefficiencies in both NYCHA's capital planning and operations reduced the impact of NYCHA's capital investments; and
3. NYCHA and the City made extremely limited use of alternative strategies that could have addressed more of NYCHA's needs.

To address the crisis CBC recommends NYCHA and the City pursue four strategies:

1. The City should fully integrate NYCHA into its affordable housing strategy. Until recently, NYCHA received only a fraction of City's capital investment in affordable housing. NYCHA was viewed as a primarily federally-funded adjunct to the City's affordable housing strategy. However the majority of New York City's affordable
housing need is for those with incomes at or below 50 percent of the area median income—exactly the population that NYCHA serves. Incorporating NYCHA into the City’s housing plan will appropriately shift the unit distribution and perhaps more than $1 billion to NYCHA to preserve units for extremely and very low-income households for whom the needs are greatest.

2. **NYCHA should transition from being a landlord to an affordable housing steward that manages fewer buildings.** NYCHA does not have the capacity to continue directly managing a housing portfolio of its size. To improve conditions, NYCHA should take full advantage of public-private partnerships through the Rental Assistance Demonstration program and converting more units to Section 8 funding. Section 8 is more stable than Section 9 public housing subsidies that have been underfunded by Congress over time. RAD also allows NYCHA to access to sources of capital it otherwise would not be able to tap and to take advantage of more efficient management practices – all without sacrificing public ownership. NYCHA can also reduce its needs by transferring its senior housing and small properties to qualified nonprofit developers, who can more effectively raise funding and make repairs while preserving these units as affordable housing. Both approaches may likely require additional city subsidies in the form of grants, low-interest loans, and the allocation of tax-exempt bonds and Low-Income Housing Tax Credits.

3. **NYCHA should leverage underutilized land assets to fund repairs and facilitate development.** NYCHA controls 58 million square feet of development rights across the city. NYCHA can tap the value of these assets by selling air rights, allowing infill development, or both. NextGen NYCHA set a goal of raising $300 million to $600 million from mixed income infill development, but the pace of infill deals has been slower than anticipated. NYCHA and the City have opted to pursue developments that are 50/50 or 100 percent affordable, instead of projects that are 80 percent market rate and 20 percent affordable, which generate nearly four times as much funding for repairs. In addition selling 10 percent of NYCHA’s air rights could raise $1.5 billion. These funding strategies can help NYCHA preserve its deeply affordable public housing units without displacing residents or sacrificing long-term ownership.

4. **NYCHA should improve operations and construction management.** NYCHA should bring its operations in line with modern property management standards to ensure the long-term viability of its units. NYCHA’s strict work schedules during the standard Monday to Friday workday results in an inefficient use of resources; changes to collective bargaining agreements are necessary to allow work on evenings and weekends at a reasonable cost. NYCHA also should increase the use of private maintenance contracts, particularly to add capacity to its skilled trade divisions. Finally, allowing NYCHA to use design build and other construction management methods and expediting permitting and land use reviews will speed up the pace of construction work and save hundreds of millions of dollars.

Without transformative changes, tenants will continue to live in substandard conditions, and the city ultimately will lose some of its deeply affordable housing.
Thank you for the opportunity to testify, and I look forward to answering any questions you may have.

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**Previous CBC Reports on NYCHA**

“Stabilizing the Foundation: Transforming NYCHA to Address its Capital Needs” (July 2018), [https://cbcny.org/research/stabilizing-foundation](https://cbcny.org/research/stabilizing-foundation)

“NYCHA Capital: What You Need to Know” (December 2017), [https://cbcny.org/research/nycha-capital](https://cbcny.org/research/nycha-capital)


“NYCHA’s Physical Conditions Remain the Worst in the City: Insights from the 2017 Housing and Vacancy Survey” (August 2018), [https://cbcny.org/research/nychas-physical-conditions-remain-worst-city](https://cbcny.org/research/nychas-physical-conditions-remain-worst-city).

“Room to Breathe: Federal and City Actions Help NYCHA Close Operating Gaps, But More Progress Needed on Implementing NextGen NYCHA” (July 2017), [https://cbcny.org/research/room-breathe](https://cbcny.org/research/room-breathe).

“Cleaning House: How to Close the New York City Housing Authority’s Operating Gaps” (April 2015), [https://cbcny.org/research/cleaning-house](https://cbcny.org/research/cleaning-house).