Strengthening New York City’s Public Housing

Directions For Change

A Report by the Community Service Society
Victor Bach and Tom Waters
The Community Service Society of New York (CSS) is an informed, independent, and unwavering voice for positive action on behalf of more than 3 million low-income New Yorkers. CSS draws on a 170-year history of excellence in addressing the root causes of economic disparity. We respond to urgent, contemporary challenges through applied research, advocacy, litigation, and innovative program models that strengthen and benefit all New Yorkers.

www.cssny.org

About the Authors

**Victor Bach** has been Senior Housing Policy Analyst at the Community Service Society since 1983. He was a Research Associate at the Brookings Institution and on the faculty of the New School for Social Research and the LBJ School of Public Affairs at the University of Texas, Austin. He holds a Ph.D. in Urban Studies & Planning from M.I.T.

**Tom Waters** has been Housing Policy Analyst at the Community Service Society since 2005. Prior to joining CSS, Mr. Waters was at Tenants & Neighbors, an organization that works to preserve and improve the state’s existing stock of affordable housing. A graduate of Yale, he received his M.A. and is working towards a Ph.D. in Political Science from the City University of New York Graduate Center.
# Table of Contents

Introduction ........................................................................................................... 2

The Deterioration of Living Conditions, 2001 to 2011 ........................................... 4
   Resident Concerns (CSS Unheard Third Survey)
   Resident-Reported Deficiencies (NYC Housing & Vacancy Survey)

The Changing Financial Condition of NYCHA, 2001 to 2011 ............................. 8
   Declining Federal Support
   Declining State Support
   Declining City Support—Added Burdens, Only Temporary Relief
   The Combined Impact of Government Disinvestment
   Rising Internal Operating Costs

Budget Stresses Hit Home: The Consequences .................................................... 14
   Operating Deficits
   Depletion of Operating Reserves
   Loss of Capital Funds, Delayed Improvements
   Headcount Losses

Directions for Change .......................................................................................... 17
   Funding Strategies
   Community Development Options
   Greater Transparency and Accountability
   Strengthening Resident Organizations
   Governance: More Independence for the NYCHA Board

Appendix: Condition Deficiencies, the NYC Housing & Vacancy Survey ............ 28

Endnotes .................................................................................................................. 28
This year the New York City Housing Authority (NYCHA) celebrates an 80th anniversary. Created in 1934 by Mayor Fiorello LaGuardia, before the 1937 federal public housing program, NYCHA has long maintained a reputation as the nation’s largest and one of its highest-performing housing authorities. With 179,000 apartments across 334 developments, it is also the city’s largest landlord. At present it has the distinction of being one of the few large-city authorities to retain its public housing inventory while others—like Chicago, Atlanta, and Newark—have embarked on massive demolition and conversion.

Despite its track record, NYCHA has fallen into critical condition in recent years, marked by significant operating deficits year after year and accelerating deterioration of its housing infrastructure. Even before Superstorm Sandy struck in 2012, and the “sequestration” of the federal budget took its toll in 2013, NYCHA’s operating shortfall in 2011 was estimated at over $60 million. To make matters worse, it had a backlog of over $6 billion in needed major capital improvements to its aging buildings.¹ As this report confirms, sustained financial pressures have forced NYCHA into unusual gap-closing measures at least since 2001. The impact on resident living conditions has been disastrous, spurring a mounting resident outcry about elevator breakdowns, perennial water leaks, untreated mold, and the like. Long delays in getting repairs were common—often a year or two.²
As part of Mayor Bill de Blasio’s ambitious housing agenda, a major challenge—not yet fully addressed—will be to restore public housing to decent physical and financial condition, to make NYCHA whole again. Public housing is a prime affordable housing resource, comprising one out of every eleven rental apartments in the city, and one out of every six occupied by low-income New Yorkers. Against a backdrop of long-term government disinvestment in public housing—by all levels of government—it is likely to fall to the city, where the impacts are most directly felt, to attempt to turn the crisis around.

Signs of the turn-around are emerging. In a major step forward, Mayor de Blasio’s FY2015 budget ruptured a standing agreement under which NYCHA is required to pay the city over $70 million annually for special police services, a burden that drains the Authority of limited, already inadequate operating subsidies it receives from the Department of Housing and Urban Development (HUD). NYCHA will now retain these funds to invest in operations and needed repairs. The Authority’s newly-appointed Chair Shola Olatoye has embarked on engaging residents in planning for the future, a process that has been woefully lacking in the recent past.

Whether this will be a relatively good year for NYCHA depends on Washington. The Obama administration’s FY2015 budget restores public housing funding to full levels, which for NYCHA means a projected increase in operating subsidies from $783 million to $903 million. But the administration has yet to reckon with Congress; the House of Representatives seems intent on tightening appropriations. Even with full federal funding under the president’s budget and relief from police payments this year, last March NYCHA projected an operating deficit of $69 million in its public housing general fund this year.

Chronic federal starvation funding for public housing is at the root of NYCHA’s hard times since 2001. But the state and the city have also contributed heavily by withdrawing operating support from their developments. Solvent—cannot be overstated. Continuing decline or, alternatively, the conversion or loss of the inventory, are inconceivable given public housing’s role as a primary housing resource in this city. Such an outcome would be disastrous, not only for residents, or for hundreds of thousands of households on the waiting list, but for the city as a whole.

A well-wrought preservation plan is needed to restore NYCHA communities to decent condition, assure the Authority the resources it needs to upgrade and sustain its housing, and strengthen its communities. Toward that end, this report is an assessment of the factors that over a critical decade—from 2001 to 2011—have marked and contributed to NYCHA’s decline. Based on that assessment, recommendations are put forward to help stem the decline, prevent a recurrence, and assure a positive future for the city’s public housing.

The gravity of the situation—whether NYCHA can again provide minimally decent housing and become financially
It’s time to hold NYCHA accountable for a lot of things. But let’s start with fixing broken lobby doors in two days, not two months.”

DeReese Huff
Resident Association President
Campos Plaza, Manhattan

The Deterioration of Living Conditions, 2001 to 2011

Dilapidated conditions in NYCHA developments have made media headlines in recent years, but the evidence for these conditions goes beyond anecdotes or sensational headlines. Two random-sample surveys demonstrate how far NYCHA conditions have deteriorated, particularly when compared to those experienced by low-income tenants in the private rental market.

Resident Concerns (The CSS Unheard Third Survey)

Every year, the Community Service Society (CSS) conducts its Unheard Third survey of low-income New Yorkers. During the summer of 2012, respondents were asked: “Tell me which one of these personally worry you the most?” Housing, healthcare, jobs, crime, schools, retirement, and other concerns were listed. The top concerns registered by NYCHA residents and by low-income tenants in other rentals are summarized as follows:
Strengthening New York City’s Public Housing

TOP PERSONAL WORRIES, BY RESIDENT GROUP, 2012

<table>
<thead>
<tr>
<th>LOW-INCOME RENTERS</th>
<th>NYCHA Residents</th>
<th>Subsidized Rentals</th>
<th>Private Rentals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing (21%)</td>
<td>Healthcare (17%)</td>
<td>Schools (17%)</td>
<td></td>
</tr>
<tr>
<td>Jobs (15%)</td>
<td>Jobs (15%)</td>
<td>Jobs (16%)</td>
<td></td>
</tr>
<tr>
<td>Retirement (13%)</td>
<td>Crime (15%)</td>
<td>Healthcare (16%)</td>
<td></td>
</tr>
<tr>
<td>Healthcare (10%)</td>
<td>Schools (14%)</td>
<td>Crime (12%)</td>
<td></td>
</tr>
<tr>
<td>Schools (10%)</td>
<td>Housing (12%)</td>
<td>Housing (11%)</td>
<td></td>
</tr>
<tr>
<td>Crime (10%)</td>
<td>Retirement (12%)</td>
<td>Retirement (10%)</td>
<td></td>
</tr>
</tbody>
</table>

Strikingly, low-income renters outside of public housing registered a range of top concerns, including schools, healthcare, jobs, and housing. But for NYCHA residents the primary concern was housing, outdistancing all other concerns, even crime or safety issues.

That NYCHA residents worried more about their housing, particularly compared to low-income tenants in private rentals, is puzzling. Public housing residents are, in a sense, the “lottery winners,” as the long waiting list for NYCHA apartments attests. Unlike rents in the private market, NYCHA rents are guaranteed under federal law to be affordable, no more than 30 percent of household income. In 2011, low-income renters in private, unassisted rentals carried a median rent burden of 49 percent of income; nearly half (49%) paid at least half their income toward rent.

Additional survey responses shed some light on why housing concerns pre-occupied NYCHA residents. Over a third (34%) considered “heating, leaks, or major repairs” a serious problem, compared to 17 percent of low-income tenants in private rentals. “Properly working elevators, door locks, buzzers, or intercoms” were a serious concern for 38 percent of NYCHA residents, against 14 percent for low-income tenants elsewhere. In just a few questions, the survey responses pointed to a surprisingly higher incidence of deficient conditions being experienced by NYCHA residents. By 2012, it had reached a point that their housing had become an overriding concern.

Resident-Reported Deficiencies, 2002 to 2011 (NYC Housing & Vacancy Surveys)

A more systematic analysis of NYCHA living conditions is possible using data from the triennial NYC Housing and Vacancy Survey (HVS). The HVS asks respondents to report on the occurrence of seven specific deficiencies in their apartments. On that basis, it calculates an index of the total number of deficiencies reported by each household. The following two charts track the trends in reported deficiencies from 2002 through 2011 for three groups of tenants: NYCHA residents, low-income tenants in subsidized/assisted rentals, and low-income tenants in private, unassisted rentals.

Over the decade, the proportion of NYCHA residents reporting three or more deficiencies dramatically increased from 20 to 34 percent of households. In comparison, during the same period, deficiency reports by low-income tenants elsewhere, in both assisted and private rentals, had been comparable to NYCHA rates in 2002, and they remained relatively stable through 2011. No doubt, there is a wide variation in living conditions in any one of these sectors, depending on how conscientious owners and managers are. But, as a whole, NYCHA apartments underwent a rapid spread of deterioration that was unmatched in the other sectors.
two rental sectors, where deficiencies remained at relatively stable, lower levels. It is also striking that the increase in reported NYCHA deficiencies was not gradual over the decade—it occurred largely after 2008, when it appears NYCHA had reached a critical point.

A similar pattern is observed for households experiencing four or more of the seven deficiencies. (See Chart 2.)

In 2002, there is relative parity among the three rental sectors in the proportion of households experiencing four or more deficiencies. But as the decade progresses, there is a significant increase among NYCHA residents, the proportion nearly doubling from 11 to 19 percent, again with nearly all of the increase occurring after 2008. And the steep rise among NYCHA households is unmatched among low-income tenants in assisted and private rental units where there was only a modest increase in the proportion reporting multiple deficiencies.

LEADING DEFICIENCIES

All but two of the seven specific deficiencies in the HVS index were major contributors to the spreading deterioration reported in NYCHA apartments over the period from 2002 to 2011. Toilet breakdowns increased only marginally, from 13 to 16 percent of households. Households reporting that they required additional heating sources rose from 22 to 29 percent. The other deficiencies rose much more sharply, as indicated in Chart 3.

Over the decade, the private rental sector, as a whole, performed better than NYCHA in providing low-income New Yorkers with liveable apartments. No doubt this was due in part to a strong rental market in which median rent for low-income tenants increased by 52 percent, from $659 in 2002 to $1,000 by 2011, while their median income increased by only 27 percent. Chart 4, when compared to Chart 3, shows that the leading deficiencies in private rentals, which were occurring at rates comparable to NYCHA in 2002, remained close to their original levels through 2011, while deficiency reports in NYCHA apartments were escalating. Rodent infestation was an exception to this pattern: In 2002 it was much worse in the private sector—35 percent of tenants, compared to 27 percent of NYCHA residents. Nevertheless, by 2011 the rate for NYCHA was higher—37 percent against 33 percent.

The sharp acceleration in reported NYCHA deficiencies indicates that by 2008 a critical point had been reached after
which things rapidly worsened. By late in the decade, the mounting outcry of NYCHA residents about conditions and repairs—and their pre-occupation with their housing conditions in the CSS survey—represented more than the usual complaints tenants register about their landlords. The downward spiral had begun and, even worse, repairs were lagging further and further behind. NYCHA apartments, on the whole, had fallen into far worse physical shape than rental units occupied by other low-income New Yorkers. Based on these deficiency reports alone, by 2011 NYCHA reached a point where it might have qualified as the city’s largest and worst landlord.

By 2011, NYCHA reached a point where it might have qualified as the city’s largest and worst landlord.

In summary, it is doubtful that NYCHA suddenly ceased being the competent large-scale housing manager it had been for nearly seven decades. A 2012 report prepared by the Boston Consulting Group uncovered a number of telling management issues that likely contributed to the accelerating deterioration of building conditions. However, the evidence suggests that NYCHA’s worsening financial condition alone would have been sufficient to have a profound impact on its management capacity by 2008. It is important to understand why and how that happened.

It remains to be seen whether an accelerated repair program initiated by NYCHA in 2013 in response to resident protest and growing media attention has resulted in significant improvements. In 2014, early in the de Blasio administration, NYCHA launched a new initiative to assess needed repairs and monitor progress. Apart from what the HVS conveys, there is little systematic information available about how conditions are changing, other than what is available from time to time in NYCHA press releases.
Public housing residents must stand together and demand that the city and state support NYCHA as a line item in their budgets. We are taxpayers, we pay rent, and we also vote.”

Aixa Torres
Resident Association President
Smith Houses, Manhattan

The Changing Financial Condition of NYCHA

What accounts for the financial decline of a high-performing housing authority like NYCHA in the period following 2001? The short answer is that the Authority’s recent financial straits, and the accelerating deterioration residents have been experiencing, are the cumulative result of growing government disinvestment—at all levels of government—in the city’s public housing.

Inadequate Washington appropriations were and are still at the crux of the problem. In 2001, nearly all NYCHA developments were built under the federal housing program and relied on ongoing Washington support. But the state and the city have also contributed significantly to the crisis. As of 2001, NYCHA owned and managed 21 non-federal developments: fifteen state-financed developments (12,200 units), and six city-financed developments (8,000 units) that were ineligible for federal funding and depended on state and city operating and capital supports. In 1998, the state had terminated its long-standing operating subsidies and the city did the same in 2003.

The signs that NYCHA was increasingly at financial risk over the decade became manifestly clear in the years following 2001, as the Authority’s high annual operating deficits came to be regarded as “structural” rather than transitory. The degree to which government was blind to those signs, or inured to them, or chose to disregard them, is baffling, particularly at the local level where the consequences for residents and for the housing infrastructure were visible and directly felt.

Declining Federal Support

Housing authorities receive two streams of federal subsidies for public housing: Operating subsidies are allocated annually by HUD to support ongoing operations. Instituted in the late 1960s, the subsidies were intended to cover the growing gap between rising maintenance costs and limited rent returns from a low-income tenancy. Capital (modernization) subsidies are provided annually for major capital improvements to replace structural components of older buildings. Both of these are critical subsidies, especially
to authorities like NYCHA with an aging infrastructure. However, the size of each subsidy stream depends on Congressional appropriations each year in an uncertain environment in which public housing is arguably the least popular housing program. Once the federal budget is decided, HUD allocates what it receives to individual authorities.

During much of the decade following 2001, federal funding fell short of expected levels. Between 2001 and 2011, NYCHA estimates it suffered a cumulative loss of $640 million in anticipated operating subsidies. (See Chart 5.) The continuing losses were stemmed in 2010 and 2011 when the incoming Obama administration secured full funding for public housing operations. Nevertheless, severe losses followed as a result of federal deficit reduction and budget sequestration. By 2013, the cumulative operating subsidy loss since 2001 had mounted to nearly $1 billion.

In 2001, the newly-elected Bush administration also ended the HUD Public Housing Drug Elimination Program (DEP). The 15-year-old program had supplemented the operating subsidy stream, providing NYCHA with $35 million annually, which it used to cover $20 million of the required annual payment to the city for police services, with the remaining $15 million devoted to youth-oriented community programs. The DEP termination effectively added a $35 million burden to NYCHA annual operating costs. The full police payment of over $70 million was still required by the city, and NYCHA chose to continue the community programs rather than abort them.
In 2007, NYCHA took a further loss in its expected operating subsidies, a reduction of $14 million annually, when HUD implemented a new, hard-nosed allocation formula. The new formula was based primarily on estimated housing management costs in privately-owned subsidized housing, which did not take into account the community services and employee benefits many housing authorities provided. That year NYCHA also lost its HUD designation as a “high-performing” authority, no doubt because of declining financial and physical conditions, which led to a further reduction in its share of the operating subsidy pool.

In the wake of the 2008 economic recession, Washington provided NYCHA an unexpected opportunity to “federalize” its state and city developments, making them eligible for federal operating and capital subsidies. For nearly a decade, the Authority had been vainly pressing for special Congressional legislation to accomplish the same. Under a special provision of the 2009 American Recovery and Reinvestment Act (ARRA), the economic stimulus bill, housing authorities were given a one-time opportunity to “federalize” their non-federal developments. To its credit NYCHA seized the opportunity. By 2010, the 21 state and city developments were finally brought under the federal funding umbrella, resulting in an increase of $55 million in annual HUD operating subsidies. Prior to federalization, these developments had incurred an operating shortfall estimated at $90 million annually.

Even with federalization of all developments, the effect of long-term Washington disinvestment was evident. By 2011, the annual HUD operating subsidy to NYCHA had decreased by over $100 million from its original 2001 level.

HUD annual capital subsidy streams also slowed after 2001, a cumulative loss that NYCHA estimates at over $1 billion by 2013. (See Chart 5.) Not included in the NYCHA estimate is a one-time infusion of $423 million in capital dollars in 2009 under the ARRA economic stimulus bill, intended for short-term “shovel ready” capital projects that could stimulate the local job economy. Apart from the stimulus package, by 2011, NYCHA was receiving about $63 million less in annual HUD capital subsidies than it had received in 2001.

**Declining State Support**

Until 1998, New York provided ongoing operating and capital support for NYCHA developments it had constructed with state capital. Many had been federalized by that time, but 15 developments remained a state responsibility. At Governor Pataki’s initiative, the state terminated its annual operating subsidies, which had already reached a low of $10 million. NYCHA estimated the state developments generated an operating shortfall of about $60 million annually and unsuccessfully brought suit against the state. Its only recourse was to stretch its limited federal funding to operate the state developments. In 2007, with newly-elected Governor Elliot Spitzer in Albany, NYCHA renewed its request that the state pay $62 million each year to cover the operating shortfall. It received only $3.4 million for a single year.

Despite the 2010 federalization, state developments continue to sap NYCHA resources, for complicated reasons. In 2008, prior to federalization, HUD had finally approved a controversial NYCHA proposal for Section 8 Voluntary Conversion in both the state and city developments. Under the proposal, 8,400 of the 20,200 units were to be converted to Section 8 vouchers over a four-year period. NYCHA calculated that the more generous Section 8 rent streams would make up for the operating losses. Conversions to vouchers relied on voluntary participation. Current residents could opt for a shift from the public housing to the voucher program without moving. Waiting list families could opt to use their vouchers to rent vacant state or city units as they turned over.

Due to the 2008 conversion agreement, 8,400 to-be-vouchered units were excluded from the federalization in 2010. That is, they would not be considered in determining HUD operating or capital subsidy allocations. To date the voucher conversion has fallen short of projections, having netted only about 2,800 units in six years. As a result, about 5,600 state and city units continue to be operated by NYCHA and receive no operating subsidies.

Between 2001 and the federalization of city and state developments in 2010, NYCHA had experienced a cumulative operating shortfall of $660 million due to state withdrawal, a figure comparable to the cumulative loss in expected HUD operating subsidies. In effect, the Authority
had to stretch its limited operating funds, tap its reserves, or transfer federal capital funds into operations in order to sustain the state developments. As of 2014, about 4,000 state units are still not vouchered or subsidized—they incur an operating shortfall of about $15 million annually and continue to drain the Authority’s limited operating resources.

Although the state had long provided capital (modernization) funds for its NYCHA developments, in 2001 state contributions were reduced from $15 million to $6.4 million. A 1999 State Comptroller’s report found rapid deterioration in the state developments, underlining the inadequacy of the capital commitment against an estimated capital backlog of $650 million.

The state’s continuing disinvestment was moderated in 2007 with the enactment of the Shelter Allowance Bill (S4329/A7905). Concerted lobbying by NYCHA, labor organizations, and housing advocates succeeded in ending a policy under which the Authority received discounted shelter allowances as rent payments for residents receiving public assistance, lower than the full shelter allowance paid to private landlords. Oddly, other housing authorities elsewhere in the state were receiving their full shelter allowance.) With about 16 percent of NYCHA households receiving public assistance, the new allowance levels, once fully phased in, were estimated to net NYCHA an increase in rent streams of about $47 million annually to help close its operating gap and reduce its deficit.

Declining City Support—Added Burdens, Only Temporary Relief

The withdrawal of city support for NYCHA followed a path similar to the state withdrawal, only a few years later. Until 2003, the city regularly provided annual operating subsidies to NYCHA for its six developments (8,000 units), approximately $34 million that was reduced to $30 million under Mayor Giuliani in 2001, enough to cover the operating shortfall. In 2002, during the post-9/11 fiscal crisis, Mayor Bloomberg reduced the subsidy to $13 million and, in 2003, eliminated it entirely, leaving NYCHA to cover the operating gap on its own. Interestingly, the Authority took no action, as it had with the state, to seek restitution.

In 2003, the mayor also reduced the Department for the Aging (DFTA) budget by transferring to the Authority the $29.4 million annual cost of operating 105 NYCHA senior centers. The combined $60 million jolt to the NYCHA operating budget, as it faced a 10 percent cut in federal aid, occurred with the acquiescence of the NYCHA Chair and Board. During this period, the city’s annual capital subsidy to NYCHA was also substantially reduced.

The city subsequently recovered from its post 9/11 fiscal crisis, but it never resumed its operating subsidies, even as the mayor initiated $400 tax rebate checks to the city’s nearly one million homeowners in 2004. The six city developments generated an operating shortfall estimated by NYCHA at $30 million annually, resulting in a cumulative loss of about $300 million as of 2010 when the developments were federalized. Since the federalization, the shortfall has been substantially reduced, but there is a lingering operating burden of about $8 million annually due to 2,200 city units still awaiting voluntary conversion to Section 8.

The city was not impervious to NYCHA’s mounting structural deficit. Council budget allocations continued to attempt to fill critical gaps. In 2006, when the Authority made its first public announcement of a major operating deficit, estimated at $168 million, the accompanying plan to cover the gap boasted $100 million for one-time “transitional aid” from Mayor Bloomberg. But ongoing city operating subsidies were not envisioned.

In 2007, the city again contributed capital funds to NYCHA, a one-time commitment of $100 million over a four-year period. This was intended in part to replace HUD capital subsidies that NYCHA was steadily transferring to operations to cover its gap.

In 2009, when NYCHA budget constraints threatened continued funding of community center programs, the Authority was relieved of the burden, shifting it back to city agencies—DFTA and the Division of Youth and Community Development—while NYCHA continued to support center operations. In subsequent years, City Council funds helped to keep centers open and sustain programs, but to this day there is no clear-cut plan for funding and their future remains uncertain.
The city is also responsible for the largest, longest-lasting drain on NYCHA’s limited operating resources, in the form of $100 million in payments the Authority is required to make to the city each year. As of 2013, NYCHA paid over $70 million annually for “above-baseline” police services, $29 million for PILOT payments in lieu of property taxes, and close to $2 million for special sanitation services.¹⁵ No additional HUD operating funds support such payments—they divert the limited operating resources NYCHA receives from resident rent payments and sub-adequate HUD subsidies. In the decade following 2001, the cumulative diversion of NYCHA operating funds to the city totaled over $1 billion. (In his FY2015 executive budget, Mayor de Blasio relieved NYCHA of police payments for the year, but the agreement has not been terminated.) While these payments do not constitute disinvestment, they raise the policy question of whether the city should continue to draw on the Authority’s operating funds as NYCHA faces a significant structural operating deficit year after year and residents increasingly face substandard living conditions.

Throughout the decade, the city continued to include NYCHA in its capital budget, but much that support came in the form of City Council “member item” contributions for specific purposes, rather than regular appropriations. From 2001 to 2005, the annual capital contribution averaged $7 million and rose from 2006 through 2011 to an average of $28 million annually, in part a response to rising resident complaints about failing elevators, poor front door security, and other building problems.

The Combined Impact of Government Disinvestment

The large NYCHA deficits and the rapid deterioration in resident living conditions since 2001 are the cumulative results of the erosion of government support at every level, not just the federal level. The pattern becomes clear once the operating shortfalls generated at each level of government are combined. (See Chart 6).

From 2001 to 2004, before the major federal cutbacks, NYCHA’s shortfall was primarily the result of state and city withdrawal. From 2005 through 2008, federal budget slashes to operating allocations below expected levels accounted for most of the shortfall, but the effects of uncovered state and city developments were still significant. By 2006, the shortfall, amounting to a $168 million deficit, was acknowledged as a “structural” problem and NYCHA

---

**CHART 6: NYCHA PUBLIC HOUSING OPERATING SHORTFALL, BY GOVERNMENT SOURCE, 2001 TO 2013**

![Chart 6: NYCHA Public Housing Operating Shortfall, by Government Source, 2001 to 2013](image-url)
announced a long-term plan to address it. In 2009 as the Section 8 voluntary conversion phased in, state and city units became less of a drain on operating resources, although a substantial proportion—7,000 out of 8,400 units—remained unconverted and continued to be a significant burden. In 2010 and 2011, full HUD funding during the early Obama administration and the ARRA federalization of state and city developments eliminated the federal shortfall, while unconverted state and city units extracted a shortfall of $27 million a year that continues on that scale. Subsequent federal deficit-reduction measures in 2012 and severe sequestration cuts in 2013 again played the major role in driving the NYCHA shortfalls and the Authority’s continuing deficit position.

Over much of the decade after 2001, the state and city withdrawal had telling consequences for NYCHA’s deficits, exacerbating the drain on its resources, even before Washington cutbacks took their toll. But with federalization, the effect of lingering, unfunded state and city units is now minor compared to the dramatic federal withdrawal. The Obama administration has proposed large increases in its FY2015 budget, but the effects of a divided Congress, and the expense-cutting agenda of House Republicans, have yet to be figured in.

### Rising Internal Operating Costs

At the same time government was disinvesting in NYCHA, its internal operating costs were soaring. Although the Authority is sometimes criticized for its high operating costs compared with other nonprofit housing providers, it should be noted that unlike other providers NYCHA is subject to local civil service regulations and employee benefit standards, as well as federal prevailing wage requirements.

Surprisingly, operating costs, and the components that drive them, are not systematically reported or trended by NYCHA at annual Council budget oversight hearings. But the dramatic increases are abundantly clear from several documents. Between 2001 and 2005, NYCHA utility costs rose by 42 percent from $304 million to $430 million; pension costs soared by 752 percent from $7 million to $55 million; and health insurance costs increased by 44 percent from $76 million to $120 million. A 2011 Council Committee report summarized later trends: “Since Fiscal 2002, employee benefit costs have risen by approximately 73 percent, largely due to the increase in pension costs which have gone up by more than a $100 million a year. In addition, utility costs have nearly doubled from $268 million in 2002 to $527 million in 2008. Overall, NYCHA’s operating expenses have increased by 25 percent since Fiscal 2002 while HUD operating subsidies have only increased by 8.8 percent.”

Apart from the respite provided during the early Obama administration, following 2001, NYCHA’s operating resources continually declined as state, city, and federal governments withdrew financial supports. At the same time its operating costs were rapidly inflating as a result of internal cost pressures. This is a recipe for financial implosion and insolvency. To NYCHA’s credit it has managed to pull through year after year with a projected operating plan that optimistically addresses the problem. Whether those plans will be realized is an open question.
[RESIDENT VOICES]

We need change, more transparency, and oversight, not a cash machine for private contractors and consultants. Without this, NYCHA may not exist in the future.”

Nancy Ortiz
Resident Association President
Vladeck I and II Houses, Manhattan

Budget Stresses Hit Home: The Consequences

NYCHA’s financial problems since 2001 are the consequence of a scenario of government disinvestment decisions, which were oblivious to the stresses the Authority faced. Even more disastrous, they led to the rapid deterioration of resident living conditions—analyzed in the previous section—particularly after 2008 when the cumulative effects of tightened annual budgets began to be felt. In effect, the savings achieved by government through disinvestment were passed on as costs to vulnerable residents, who were more and more dealing with substandard conditions, what one outraged resident leader recently described as “third world conditions.”

Other intermediate consequences are also significant: operating reserves were depleted to cover the deficit gap; scarce capital funds were lost as they were transferred to support operations; and headcount reductions reduced the workforce, diminishing “front-line” field operations needed to keep up the developments.

Operating Deficits

Given its uncertain funding environment, it is difficult for NYCHA to budget without successive revisions. As a result, any attempt to chart the NYCHA operating deficit over time must take into account the inherent uncertainties in such calculations. At the end of each calendar year, NYCHA prepares a projected four-year budget, based on assumptions about expected funding levels, revenues, and the yield of special gap-covering measures. But the federal budget is not decided until the following October. At two successive City Council oversight hearings on the NYCHA budget, the Authority may present a revised budget and deficit estimates that incorporate more current information, such as the president’s proposed HUD budget or the mayor’s executive budget.

The gap-covering measures described in NYCHA budget presentations further confound deficit estimates. Some measures are subject to unexpected delays, such as the implementation of rent or fee increases, or completion of the
Section 8 voluntary conversion plan. There are assumptions made about federal legislation, which may take years, if ever, for enactment. If the measures cover the gap, NYCHA may present it as a “balanced budget,” even if the balance masks difficult decisions such as the loss of capital funds and operating reserves, or headcount reductions, all of which may impair NYCHA’s functional capacity.

That Council questioning does as well as it does at these hearings is to its credit, since the narrative testimony and charts provided by the Chair naturally tend to be optimistic and project the image of an authority in control of the situation, while moderating the dire straits in which the Authority may find itself. Unless the facts are drawn out by the Council, candor about the city’s contributing role—the withdrawal from its developments, the extraction of $100 million in annual payments—is dampened by a mayor-appointed Chair and Board.

Confirmable figures for the NYCHA operating deficit from 2001 through 2011 are charted below. (See Chart 7.) It is striking that the deficit rose as high as $198 million by 2003, three years before NYCHA openly admitted to a chronic, structural deficit and released a long-term plan to address it. The major damage wrought by the deficit occurred between 2006 and 2010, the point at which the city and state developments were federalized and full funding was provided in the early Obama administration. NYCHA continued to run a somewhat reduced deficit in 2011, before it again faced the intense financial pressures wrought by subsequent federal deficit reduction and sequestration.

### Depletion of Operating Reserves

Housing authorities are required by HUD to keep a reserve of at least two months of operating costs in their public housing general fund as a safeguard against contingencies, such as unexpected costs. Although reserve figures were not regularly reported in Council deliberations, by 2006 NYCHA estimated it had diverted $414 million of its cash reserves into operations since 2001. A 2006 report by the city’s Independent Budget Office (IBO) went into further detail: “To date, deficits have been ‘self-funded’ out of NYCHA’s reserve funds. The authority must keep a minimum...to avoid being considered a ‘low performing Public Housing Authority’ by HUD and consequently losing a portion of its grant funding...in 2005, NYCHA was required to have about $321 million on hand...As of the end of 2005, NYCHA had $336.7 million...close to the HUD threshold... NYCHA no longer has sufficient reserves to continue to self-fund public housing operating gaps.”

By 2008, NYCHA operating reserves had dropped to about $225 million, below the HUD-required level.

### Loss of Capital Funds, Delayed Improvements

As NYCHA reached bottom in its public housing reserves, its major source of fungible funds that could cover the operating gap was its HUD capital subsidies. Under HUD regulations, housing authorities are permitted to transfer up to 20 percent of the annual capital subsidy into operations. The bulk of the transfers from the capital pool occurred from 2005 on. By 2008, NYCHA reported to the City Council that $370 million in capital funds had been transferred into operations between 2001 and 2007. By 2011, at least $600 million in capital dollars—more than two years of NYCHA’s annual HUD capital subsidy—had been absorbed by operations since 2001.
In effect, the savings achieved by government through disinvestment were passed on as costs to vulnerable residents, who were more and more dealing with substandard conditions, what one outraged resident leader recently described as “third world conditions.”

While these capital transfers helped bandage a looming deficit, the sad irony is that they further delayed major improvements in the Authority’s capital plan. Such delays no doubt contributed to the disastrous impacts on resident quality of life. Deferring a major improvement, like the repair of a leaking roof or replacement of an aging boiler, only served to accelerate building-wide problems, raise maintenance costs, and diminish living conditions.

**Headcount Losses**

Beginning in 2003, NYCHA used planned workforce reductions to address its deficit position. At first it assured Council members that the reductions would be obtained only through attrition; there would be no lay-offs. But by 2006, lay-offs were planned to bring down headcounts and reduce costs. There were assurances that resident services would not suffer: that the lay-offs would affect largely administrative positions, rather than front-line operations needed to maintain services at current levels. Ultimately, both tiers of workers were affected. (See Chart 8.)

NYCHA’s total headcount underwent a decrease of 20 percent, from 14,700 in 2001 to 11,800 in 2011. Cuts in operations staff were more modest, a 6 percent decrease from 9,700 to 9,100 staff. While NYCHA held to its assurances that administrative staff would take the brunt of the cuts, the net reduction in operations personnel no doubt had an impact on housing management services. Between 2001 and 2005, the Authority had also reduced its maintenance and operations contracts (by $24 million), and cut back on overtime ($24 million). Continuing headcount reductions, as well as reduced contracting and overtime commitments, meant fewer personnel resources for normal maintenance and operations, no doubt contributing to the mounting problems of disrepair and deterioration.
[ RESIDENT VOICES ]

In order to start the dialogue, NYCHA must be transparent from day one. Consult. Listen. Act. NYCHA must build the trust back.”

Maria Guzman
Resident Association President
Harborview Terrace, Manhattan

Directions For Change

The reality is that, absent new initiatives, NYCHA will continue to face significant financial pressures for the foreseeable future that, despite its best efforts, will place residents at increasing risk of abject living conditions and further deterioration. The deferral of small repairs, no less major improvements, will make matters worse as they lead to costlier problems down the road. Even without the disaster wrought by Superstorm Sandy in 2012, NYCHA would still be in critical financial and physical condition.

NYCHA’s decline since 2001 naturally confirms the importance of adequate funding—both operating and capital funding—if it is to rebuild its housing and restore its reputation.

To make any real progress, NYCHA will need a major infusion of capital to catch up with billions of dollars of backlogged infrastructural improvements. And it will need all the operating resources it can muster to resolve outstanding repairs, restore decent living conditions, and maintain sound housing management standards. Congress, normally averse to investing in public housing, is now even more divided and preoccupied with deficit reduction. It is unlikely that Washington will come through in time, if ever.

An administration proposal to expand the HUD Rental Assistance Demonstration (RAD) might allow NYCHA to convert a few developments to long-term project-based Section 8 contracts under private ownership, in order to use the enriched rent stream to finance capital improvements, but the provision still has an uncertain future in Congress.\textsuperscript{26} Even the rosy prospect of a well-funded National Housing Trust Fund focused on expanding the supply of affordable housing may not contribute to the preservation of existing public housing.\textsuperscript{27} As things stand, the initiative to restore and preserve NYCHA homes will have to come from elsewhere.
The recommended directions for change that follow are made in that context. NYCHA’s decline since 2001 naturally confirms the importance of adequate funding—both operating and capital funding—if it is to rebuild its housing and restore its reputation. But other changes, institutional changes, are also important if the destructive cycle that began in 2001 is to be stemmed and prevented from recurring. Prevailing institutional arrangements made it possible to mask the gravity of the situation that faced residents and the Authority alike and for government at every level to ignore its responsibilities, at times without NYCHA resistance. The resulting costs were ultimately passed on to vulnerable residents in the form of abject living conditions that threaten the future of their communities. The lack of useful, reliable information about NYCHA finances and conditions have made it more difficult for concerned decision-makers to be responsive to the growing crisis. The Authority did not benefit from its relative insulation from public scrutiny. Greater public accountability and transparency on NYCHA’s part are critical to its future.

Funding Strategies

To address the current $7 billion backlog in major capital improvements, the city and the state must make a long-term (ten-year) commitment to significant capital investment in infrastructural improvements to NYCHA buildings.

If federal appropriations levels continue, NYCHA will receive only about $2.5 billion in HUD capital subsidies over the next decade to meet a projected backlog of major improvements estimated to mount to $15 billion. There may be opportunities for NYCHA to generate revenues to meet capital needs, such as the leasing of available land for redevelopment envisioned under the recent Infill/Land-Lease plan, but they are unlikely to generate enough funds to bridge the capital gap.

Major infusions of additional capital will have to come from the city and the state, what some leaders are calling a “Marshall Plan for NYCHA.” Moreover, these commitments would be appropriate and just. State and city withdrawal from responsibility for their NYCHA developments forced the Authority to cover an annual operating shortfall of $90
Major infusions of additional capital will have to come from the city and the state, what some leaders are calling a “Marshall Plan for NYCHA.”

million from 2001 to 2011 by transferring nearly a billion dollars in reserves and scarce federal capital subsidies into operations. At a minimum, the state and city should see that those otherwise irreversible losses are retrieved. Even if their developments are now largely federalized, the state and city have an obligation to make up for the losses they incurred, as well as an affirmative obligation to contribute to the well-being of NYCHA and its residents.

Moreover, it is not unusual for the city and the state to make major capital investments in private development. For instance, in 2006 alone, the city committed $254 million to development of the new Yankee and Mets stadiums, along with $325 million in tax exemptions. It is time to make comparable investments in restoring the public housing infrastructure. One potential source would be to dedicate a stream of capital from the excess revenues of the Battery Park City Authority. Under a 1979 city-state agreement those revenues were to be channeled into rehabilitation and construction of affordable housing in other off-site neighborhoods. Battery Park City, originally conceived as a mixed-income community, had been redesigned as an upscale residential and commercial development. The agreement was a trade-off that promised potential revenues to address affordable housing needs elsewhere in the city. At present, however, the excess revenues flow into the city’s general fund and designated state uses—only a small portion have been invested over time in affordable housing.\[28\]

NYCHA has been criticized for being slow to carry out its capital commitments, even at current funding levels. The Authority’s development record in the decades following World War II suggests otherwise, as does its recent handling of the time-limited $423 million federal capital infusion under the economic stimulus bill. If NYCHA’s capacity to undertake and expedite large-scale capital improvements needs to be improved, that objective should be given serious consideration by both NYCHA and City Hall. Reforms to avoid delays and fast-track city mechanisms for approving NYCHA capital projects, as well as possibly consolidating the development capacity of the Department of Housing Preservation and Development (HPD) with the Authority’s, are important options for the city. Doubts about NYCHA’s capacity should not be used to deny the Authority and its residents the capital resources needed to rebuild the city’s public housing.

The city should terminate standing agreements requiring NYCHA to pay for special services and PILOT payments (in lieu of property taxes).

NYCHA needs to retain its operating resources in order to manage its housing inventory and catch up with outstanding repairs. At present, the Authority is required to pay the city over $100 million annually out of limited operating funds: over $70 million for “above-baseline” NYPD services, $29 million in PILOT payments, and $2 million for special pick-ups by the Sanitation Department. NYCHA receives no supplemental federal funding above the HUD formula allocation of operating subsidies to pay for these costs. In the case of the police payment, NYPD already provides similar services to private landlords free of charge under the Operation Clean Halls program. NYCHA residents feel they are being taxed twice for police services that they have a right to expect simply by paying city income taxes. To his credit Mayor de Blasio has already relieved NYCHA of this year’s $70 million NYPD obligation, but the 1995 NYC-NYCHA memorandum of understanding governing police payments has no expiration date and needs to be formally terminated.

NYCHA should also be exempted from PILOT payments in lieu of property taxes. Under federal law, housing authorities are permitted to enter local agreements for reduced property taxes. But in New York, many nonprofit housing providers and institutions—including museums, hospitals, universities, houses of worship, and government properties\[29\]—are exempted from property taxes. Given its enormous financial pressures, NYCHA should also be exempt.

NYCHA should explore revenue-generating strategies, such as leasing available land for redevelopment, provided a community consensus can be reached on plans for the future.
Underutilized land in “towers in the park” developments offers a potential opportunity to use scarce land resources to generate needed revenues to support operations and capital improvements, to expand the supply of affordable, low-income housing, and to improve community services and amenities. (See later section on community development options.)

The city should take over the costs of operating NYCHA community and senior centers.

The Authority’s Community Operations Department has an annual budget of over $60 million, which includes the operation of NYCHA community and senior centers. The cost of supporting these centers is not factored into HUD’s formula for calculating operating subsidy allocations. As a result, sustaining the popular centers adds to the strain on NYCHA finances. For that reason, the centers have been under continual threat of closing in recent years, usually at the objection of City Council members in the affected districts. Periodically, the City Council has stepped in to provide the bridge funding for continuation, or the city arranged to pass on costs to the Department for the Aging and the Division of Youth and Community Development. None of these are permanent arrangements; each year the issues are raised and the outcomes are uncertain.

City Council funds have helped to keep NYCHA community and senior centers open, but to this day there is no clear-cut plan for ongoing funding and their future remains uncertain.

Given its financial stresses, and the priority it needs to accord to management and repairs, NYCHA cannot be expected to support the community centers for the foreseeable future. There are also questions about whether the Authority—primarily a housing management and development entity—has the competence already available in appropriate city departments that are experienced in administering the existing citywide network of community programs and centers. The city needs to step in and provide a stable funding and administrative base to keep the existing NYCHA centers open and use them to meet community needs. A city takeover of these responsibilities would relieve NYCHA of the ongoing operating cost burden and assure residents that these popular services and facilities will continue.

The city and NYCHA should press the state for a long overdue increase in the public assistance shelter allowance.

One out of every six NYCHA households (17%) receives some portion of income from public assistance. The shelter allowance portion of public assistance has not been increased since 2003, when it was set at $400 monthly for a three-person household, despite the rapid rise in rents since then in urban areas of the state. In 2007, when the state acted to end the discounted shelter allowances NYCHA was receiving, the full increase added $47 million annually to the Authority’s rent revenues.

Community Development Options

Given the city’s plan to expand affordable housing and the scarcity of developable sites, there is growing pressure to use
Effective community engagement must be part of the redevelopment planning process from the start, in deciding whether and how it will shape the future of the community.

Residential development in NYCHA communities must, to the maximum extent feasible, be affordable to low-income New Yorkers and offer current residents priority access to new units.

The goal of generating NYCHA revenues through redevelopment, a potential in some if not all developments, needs to be balanced against the overriding need for affordable rental housing in the community at large. The appropriate balance will need to be struck by NYCHA and the community, based on feasible redevelopment options. Resident leaders often speak to the special needs of their senior residents. Providing seniors with new apartments may also help to free up under-occupied NYCHA apartments for larger, overcrowded households. Once it is funded, the recently established National Housing Trust Fund (NHTF) may be an important source of development capital. Although NHTF is primarily targeted at expanding the supply of affordable housing, there may be ways in which new residential development can also help support major capital improvements in the surrounding NYCHA community.

Where the community sees fit, appropriate zoning strategies should be considered to protect NYCHA residents from unwanted development activity.

Special districts and preservation zones have been used in the past to help protect vulnerable communities and preserve the fabric of existing neighborhoods. Such zoning strategies should be considered, particularly in market areas where there are strong incentives for upscale development.
Greater Transparency and Accountability

NYCHA, like other authorities, is an independent para-governmental entity with its own governing board, appointed under prescribed rules. But its autonomy has limits. Because Washington is its nearly exclusive funding source, the Authority must comply with federal laws and regulations; it is subject to HUD review and approval on funding determinations, required annual plans, and new initiatives. Since housing authorities are created under state enabling legislation, they are also subject to Albany oversight if not control. Remarkably, NYCHA is the only municipal housing authority exempted from review and regulation by the State Authorities Budget Office. At the city level, the mayor exerts an important influence on NYCHA through appointment of the Chair, who serves at his/her pleasure, and the rest of the governing board. The City Council exercises oversight of the NYCHA budget and can command official testimony at specially called hearings on specific concerns. But the Council has no formal role in revising or approving the NYCHA budget as it does for city departments.

NYCHA formally accounts for itself at least three times a year: two City Council oversight hearings are held on its annual budget, usually in March and another in May or June. Under federal law NYCHA must prepare an Annual Plan. The Draft Plan, usually released in late spring, is followed by a required public hearing during the summer, before the Final Plan is submitted to HUD for review and approval in October. The Plan contains little, if any, budget information, although its executive summary may estimate the operating deficit or simply confirm a “balanced budget” even in years that NYCHA faced a structural deficit. Naturally, the narrative summary presents NYCHA’s accomplishments for the previous year and its plans for the coming year in the best possible light.

FINANCIAL ACCOUNTABILITY

The decade after 2001 points to glaring gaps in NYCHA transparency concerning its budget—gaps that made it difficult for the City Council and the concerned public to comprehend the gravity of its financial predicament and the potential consequences for its resident communities. Prior to 2006, NYCHA’s testimony before the Council was inconsistent in reporting annual deficits, unless members drew it out. And the issue was usually soft-pedaled in the string of annual NYCHA budget testimony from 2001 to 2005, as it were a “now-you see it-now-you-don’t” approach to deficit reporting. It wasn’t until 2006—at what Chair Tino Hernandez called “a defining moment in its history”—that NYCHA openly announced its $168 million operating deficit, along with a plan to bridge the gap. Only then was public attention drawn to the previous five years of financial strain. The New York Times reported, “Since 2001, the agency says, it has spent $357 million from its reserves to close repeated budget gaps; this year, for the first time, it no longer has enough reserves to cover the shortfall.” In the same article, Representative Jerrold Nadler was quoted, “The chickens are coming home to roost… The Housing Authority has, by one ingenious means or another, been holding it together with spit and bailing wire. This could be really devastating.”

A subsequent report by the Independent Budget Office (IBO) estimated that from 2001 to 2005 the Authority experienced an operating gap that totaled more than $414 million, an average of $83 million annually. Intelligence about the NYCHA deficit was largely retrospective. In the following years, NYCHA budget reporting to the City Council improved considerably, but much remains to be done.

An independent, annual financial audit and analysis of NYCHA’s budget position and plans should be released prior to City Council budget deliberations each year.

City Council members have several sources of information at their budget hearings. Council staff prepare a brief summary report on the NYCHA operating and capital budgets. Shortly before the hearing, NYCHA submits a current or updated version of its four-year operating and capital plan, including a highlighted summary of its accomplishments during the prior year and the outlook for the future. At Council hearings, the NYCHA Chair provides narrative testimony, at times with presentation charts, before members have an opportunity to ask questions.

That Council questioning does as well as it does in ferreting out key issues in the budget is to its credit. The short staff reports vary from year to year in their coverage and may not be consistent in their approach to key figures. The Chair’s narrative testimony is structured to draw selective attention to the Authority’s accomplishments and present its problems as solvable. Budget documents are detailed in certain
respects, such as revenue sources, projected headcounts, and anticipated gap-covering measures. But they usually fall short on such things as an analysis of the prior-year budget against actuals; shifts in overall operating costs and the underlying driving causes; the state of operating reserves; planned transfers from capital dollars to operations, and the like. Until recently, NYCHA budget plans did not distinguish between the public housing general fund and the Section 8 Voucher fund, preferring to aggregate authority-wide figures. Charts on cumulative federal losses in operating and capital subsidies over past years have become ritual, but none of the key parameters in NYCHA's budget are treated to similar longitudinal trend analysis. Incisive questions by Council members may not be answerable on the spot, in which case NYCHA promises to provide members the information, which does not necessarily become public.

An independent, annual financial audit and analysis would not only provide the key parameters and trends needed to understand where NYCHA has been and the implications of projected budget plans, it would also include an assessment of the risks ahead, particularly when gap-covering measures rely on uncertain assumptions about federal legislation and appropriations. Because the quality of the periodic reports issued by the city’s Independent Budget Office on NYCHA finances have been consistently high, IBO would be a natural nominee for conducting the audit.

Ideally, sound, independent financial information, rather than overly optimistic projections, would better underline the nature of NYCHA's financial predicament and, in turn, help spur appropriate action, particularly at the local and state level. It can only serve to further the interests of NYCHA and its residents. It may be the only corrective to a process that in the years following 2001 made it possible for NYCHA to soften the real implications of its mounting deficit position, deflect the blame from City Hall, and present itself as in full control of the crisis.

**ACCOUNTING FOR PHYSICAL CONDITIONS: COMPLAINTS, REPAIRS, AND CODE VIOLATIONS**

The fundamental mission of a housing authority is to provide decent housing for low-income people at rents they can afford. That NYCHA may no longer be able to assure residents minimally decent housing is a basic failure of its mission. Greater NYCHA transparency and accountability—concerning resident complaints, repairs, and code violations—may not by itself generate the funds the Authority needs to restore its housing, but open access to the relevant information will, at the least, speak to the severity of conditions under which residents are living, so that is not dismissed as the usual litany of tenant complaints about landlords. Once the facts are known, NYCHA has greater incentive to reform its housing management practices, even within current funding constraints, to better serve residents. And concerned government decision-makers, resident leaders, and advocates have more of the information and ammunition they need to press for the resources NYCHA needs.

The central problem is that standing institutional arrangements shield NYCHA from the kind of scrutiny and enforcement to which any private landlord is subject. The Authority, like any owner or landlord of a multiple dwelling, is required to comply with the city’s housing maintenance and building codes. NYCHA's relative immunity from city enforcement and exposure serves to mask the way in which resident complaints and demands for decent conditions in public housing are handled, while the city effectively looks the other way. Simply put: “What happens in NYCHA stays in NYCHA.”

NYCHA's relative insulation from city code enforcement and open records on code violations in effect assigns its residents to “second class citizenship” without access to the minimal code enforcement measures, no matter how faulty they are, to which tenants in private multiple dwellings are entitled. For NYCHA residents to gain greater leverage in commanding repairs and improvements, at the least they
deserve parity with other tenants in their right to city code enforcement services and their access to open records about landlord infractions.

The bifurcation of the code enforcement system—NYCHA residents versus other tenants—begins at the point of complaint. Private tenants can register a complaint about conditions by phoning the “311” Citizen Service Center, where the complaint is recorded and assigned a number, then referred to the NYC Housing and Preservation Department (HPD) for appropriate follow-up, depending on its urgency. If necessary, an HPD inspector from the Code Enforcement Unit will be sent to inspect the premises and, if confirmed, the violation will be classified—A, B, or C in terms of severity—and recorded, pending further action.

A NYCHA resident phoning “311” is instead referred to the Centralized Call Center (CCC), created by NYCHA in 2007 as an innovative, efficient citywide mechanism for receiving resident complaints and scheduling repair orders. Systematic data on NYCHA complaints and responses is not available, but several problems are acknowledged as chronic. Repair appointments are scheduled a year or two in advance, unless they are emergencies that require immediate attention. Successive calls over long periods are necessary to see a repair through—one call to report a leak, a second call once the leak is repaired to plaster the wall, a third call for a painter to cover the newly plastered wall. If the resident cannot be present at the appointed time, another call for a future appointment is necessary. Once a resident has a repair order, an on-site NYCHA staff member can be assigned to inspect, who may simply declare the complaint “unfounded” before removing it from the system. Anecdotal reports suggest that much depends on the attitude and conscientiousness of front-line management in following through on complaints. Unless a NYCHA resident brings an action in Housing Court and an HPD inspection is requested by the Court, there is no independent, external confirmation of the reported deficiency. By and large, only a few residents take the ultimate step of pursuing NYCHA in court.

The NYCHA system is opaque. None of the information recorded by CCC concerning complaints, repair orders and responses, or outstanding, potentially serious violations is available outside of NYCHA. Apart from what little can be learned about living conditions through the HVS, the only regularly available information is what can be gleaned from the Authority’s occasional press releases, which inevitably report progress. Disclosures of the actual state of NYCHA conditions are rare. In 2012, The Daily News, as part of a scathing series of reports on NYCHA, exposed the findings contained in an unreleased Boston Consulting Group report estimating a backlog of 338,000 repair orders.29 In late 2013, then Public Advocate Bill de Blasio instituted a specially-designed “Repair Watch” website to monitor NYCHA repairs, but it is no longer functional.

Institutional arrangements also exempt NYCHA from public exposure for outstanding code violations. HPD and the Department of Buildings maintain open, public data bases—for any multiple dwelling in the city there is a record of outstanding code violations. Unlike other owners, NYCHA is insulated from any such exposure. There is an institutional understanding, it seems an implicit agreement, that confirmed violations in NYCHA buildings are not to be recorded.

The bifurcation of the code enforcement system is to some extent sustained at the Housing Court level, where in some courts there is a special section for NYCHA cases. NYCHA residents cannot access the part of court used by other tenants to bring repair cases.34 Instead, they must use the section devoted to NYCHA non-payment and holdover eviction cases. Private tenants have the advantage in court of an independent HPD inspection confirming the complaint, but absent a special inspection ordered by the Court, NYCHA residents must rely on the court to decide between their testimony and opposing evidence presented by NYCHA attorneys with access to internal records.

There is an argument to be made that it would be counterproductive for NYCHA to be subject to financial penalties of the kind imposed on private owners for failure to respond to violations. If inadequate funding is at the core of the Authority’s inability to make necessary repairs and capital improvements, the imposition of penalties would only lessen its capacity to respond. For that reason, the recommendations forwarded here concentrate solely on accountability and transparency issues.

NYCHA residents should have parity with other tenants in the city code enforcement process, in the recording of complaints and in access to independent inspections. It is recommended that the NYCHA resident complaint system be integrated into the city’s “311” Citizens Service Center.
Consolidation of the complaint system would have obvious cost implications for the participating agencies. Opening the “311” system and HPD code enforcement to NYCHA apartments will extend their jurisdiction by 179,000 households, many of them with multiple complaints. NYCHA would benefit from eliminating the CCC, freeing up operating funds for repairs or the cost of expanded inspections by HPD and the Department of Buildings. It is the city’s responsibility to enforce its codes, whether suspected violations occur in NYCHA or other residential buildings. That the city keeps its distance from NYCHA buildings and its residents’ legitimate complaints is remarkable.

**Outstanding code violations in NYCHA buildings must be included in the public data bases maintained by HPD and the Department of Buildings.**

There is no apparent reason why NYCHA should be immune from public accountability for the condition of its buildings or why the city should disregard code violations in public housing. The Authority’s opaqueness is counterproductive—masking the known facts makes it more difficult for government decision-makers to understand the extent and seriousness of the problems, or to respond to them. NYCHA needs to make the facts known.

**An independent management audit of the NYCHA system for managing repairs and capital improvements should be conducted biannually to assess progress.**

A 2010 report prepared by the Boston Consulting Group uncovered weaknesses in the way NYCHA housing management functions are organized and in the capacity of the Authority to commit available capital funds to actual improvements. Another report prepared by Local 237 Teamsters Union made recommendations for improving on-site, front-line housing management functions. Given the age of NYCHA’s large bureaucracy, an external assessment may be necessary to identify needed management reforms and assess the Authority’s progress in implementing them.

**A “Repair Watch” website should be created to enable residents to track NYCHA progress in the repair and capital improvement process.**

The kind of website created by the Office of the Public Advocate in 2013 as an on-site resource for monitoring repairs should be continued under the current Public Advocate, Letitia James. It should also include the monitoring of capital improvement plans at each development.

**Strengthening Resident Organizations**

The HUD 964 regulations on tenant participation in public housing—long considered a resident bill of rights—lay out clear guidelines for forming resident associations that must be recognized by housing authorities and included in their decision-making. Yet, about one third of NYCHA’s 334 developments have no resident association representing their communities. While some elected resident leaders have considerable strengths, as a rule existing associations are small, dependent on a few committed long-term leaders, and weakly organized within the community at large. Newly-elected officers usually receive little training or orientation to their roles. If NYCHA is to engage and partner with residents in exploring community development options, improving conditions, and moving forward on special initiatives, it must have strong, well-informed, organized residents to work with.

**Resident leaders should be encouraged to engage qualified individuals and organizations to provide training in resident organizing and leadership, as well as needed technical assistance.**

Since 2003 HUD has allocated TPA (Tenant Participation Activity) funds specifically for such purposes—close to $3 million comes through NYCHA annually. Currently an estimated $17 million in TPA funds remain unexpended, which can be used to contract qualified resources to provide technical and organizing assistance. Ideally, these resources should be independent parties outside of NYCHA, to ensure that they best serve resident rather than institutional needs. Fortunately, New York City is blessed with a number of qualified nonprofit organizations who can assist in strengthening the voice of residents.

The Citywide Council of Presidents (CCOP) should take the initiative to reach out and form resident organizations in developments where they don’t exist.
NYCHA may be governed by a mayorally-appointed Board, but once appointed they should have sufficient distance from the mayor, so that they can single-mindedly serve NYCHA without risk or threat of recall.

CCOP is a nine-member body, consisting of resident association presidents elected from nine districts that span the city, to represent all NYCHA residents in Authority decisions and plans. Available TPA funds can be used to contract qualified organizations to reach out to unrepresented developments and explore whether and how a resident association can be organized.

Resident leaders and organizations should be encouraged to participate in the broader community, where they can find potential support and key resources to increase their strength.

Too often NYCHA resident leadership insulates itself from the outside community, relying primarily on the Authority for needed information and resources. In the recent Infill/Land-Lease controversy in the eight targeted developments, support from outside resources—legal and housing advocates, community boards, organizing groups, and concerned elected officials—was instrumental in increasing the leverage of the involved resident associations. Linkages with community boards, neighborhood housing and service groups, legal and policy advocates, as well as liaison with local elected officials, can be important sources of assistance and outside support for resident agendas.

Governance: More Independence for the NYCHA Board

Housing authorities were intentionally created as independent bodies with para-governmental powers, in order to insulate them from local political tides and assure their continuity. NYCHA is now governed by a seven-member Board appointed by the mayor. It includes a salaried Chair who serves at the mayor’s pleasure, and six voluntary, unsalaried members, at least three of whom must be residents. Except for the Chair, board members have a fixed term of office, but can be recalled by the mayor simply by providing reasons.

This reflects a recent shift in the governance structure that took place in 2013, away from a high-salaried Board and a single voluntary resident member. Despite the change, in New York City the NYCHA board remains effectively the mayor’s board.

At those times when NYCHA’s well-being and the mayor’s agenda are in alignment, the institutional synergy can serve the Authority well. That seems to be the case presently in the new de Blasio administration—consider the relief granted to NYCHA from $70 million in NYPD payments in the mayor’s budget this year. But with mayors who are less committed to public housing or its resident constituency, NYCHA’s governing structure may be problematic.

The period from 2001 through 2011 illustrates some of the problems. During that period NYCHA’s governing board consisted of the Chair and two term-appointed members, all well-salaried. NYCHA’s financial decline is, in part, a case study of the perils of Mayor-NYCHA relations when, under these institutional arrangements, they are not quite aligned. For example, in 2003 Mayor Bloomberg terminated operating subsidies for city-financed NYCHA developments, sharply reduced city capital commitments, and passed on to NYCHA a $24 million burden for community center programs, at the same time the Authority was grappling with the state’s withdrawal from its 15 developments and a decreasing federal budget. All of this was done with the consent, if not the full acquiescence of the NYCHA Chair and Board. Even after the city emerged from its post-9/11 fiscal crisis, the city’s operating subsidies were never resumed.
Whatever political sacrifices are necessary, it needs to be recognized that this is a crucial, defining period in NYCHA’s history.

The relative silence of the board about the required $100 million annual NYCHA payments to the city (and $3 million in capital funds for police cars) is another telling example. At a time when NYCHA was tipping toward or running a significant structural operating deficit, none of the Chairs spoke out, except when questioned by the City Council. Often their budget testimony included special praise for the mayor.

When it comes to the question of the Authority’s financial solvency and the risk of imposing increasingly abject living conditions on vulnerable residents, the Chair should be able to be resolute in defending NYCHA without threat of immediate discharge. The Chair and the Board should be able to exercise an independent voice that speaks truth to City Hall about what is necessary to keep NYCHA whole. The Authority may be governed by a board of mayoral appointees, but once appointed they ought to have sufficient distance from the mayor, so that they can single-mindedly serve NYCHA without risk or undue threat of recall.

It is recommended that all seven mayoral appointees to the NYCHA Board, including the Chair, be voluntary and serve for fixed terms, subject to recall only for cause. The Board should have the power to contract a chief executive officer (CEO), who serves at the pleasure of the Board, to manage and speak for the Authority.

This governing structure would create the needed distance of the Board from direct mayoral control. As such the proposal is not likely to be endorsed by any sitting mayor. It will require broad support from City Council and from the state legislature, which would be responsible for enacting it in legislation.

In Summary

In summary, the analysis confirms the reality of the appalling living conditions in NYCHA apartments reported by residents and the media for several years. But the Authority’s reputation or its competence should not be at issue; it performed relatively well until its resource base fell apart in the period following 2001. Government defunding was and is the root cause of the accelerating deterioration over the last decade. The state and city were major contributors to that decline, often at levels equivalent to the federal disinvestment. They should be open to a major role in restoring NYCHA.

Moreover, existing institutional arrangements that make NYCHA opaque to public scrutiny need to be changed—those that mask the Authority’s financial condition and its failures to comply with local housing and building codes—because they cloak the real consequences of government defunding and, as a result, deprive residents, advocates, concerned elected officials, and the interested public of the information they could use as ammunition to press for needed resources. The NYCHA Board also needs to be freer to act as a leading advocate for the Authority. Its governance structure should be reconsidered to assure the Board the independent voice it needs to better make the case for itself and its residents.

The recommended directions for change attempt to address the driving factors underlying NYCHA’s current financial and infrastructural problems: the lack of sufficient operating and capital funds; an insular lack of transparency that conceals the gravity of its predicament, even from those who might help; and structural governance issues that inhibit the Authority from pressing for what it needs.

Whatever political sacrifices are necessary to move in these directions, it needs to be recognized that this is a crucial, defining period in NYCHA’s history. It faces an erratic Congress, uncertain support from local and state governments, and a limited capacity to generate the revenues it needs even if it draws on private capital. The coming decade will be a critical test for the Authority and its residents.
Appendix

Condition Deficiencies in the NYC Housing & Vacancy Survey (HVS)

The analysis of condition deficiencies in this report is based on the “expanded” list of seven deficiencies covered in the HVS:

- Heating breakdown
- Additional heating required
- Rodent infestation
- Cracks or holes in the walls, ceilings, or floors
- Broken plaster/peeling paint larger than 8.5 x 11 inches
- Toilet breakdowns
- Water leaks

Endnotes


2. See: Community Development Project of the Urban Justice Center, A Report Card for the New York City Housing Authority: Residents Evaluation of NYCHA and Recommendations for Improvement, August 2011.

3. As used here, the term “low-income” refers to household incomes within twice the federal poverty level, currently up to $39,600 for a three-person family.

4. The agreement was forged in a 1995 Memorandum of Understanding (MOU) between the city and NYCHA when housing authority police were merged with the New York Police Department.

5. NYCHA testimony and presentation charts, City Council hearings on the NYCHA Budget, Committee on Public Housing, March 21, 2014.


7. It should be noted these deficiencies refer only to conditions within apartments. They do not include building deficiencies, such as elevator breakdowns, broken front-door locks, problems in common spaces.

8. Subsidized/assisted rentals include project-based Section 8 and Mitchell-Lama rental developments, as well as private rentals assisted with Section 8 vouchers. Low Income Housing Tax Credit developments are not identified in the HVS.


12. Office of the State Deputy Comptroller for the City of New York, Deterioration of Public Housing in the State and City Projects Operated by the New York City Housing Authority, July 1999.

13. New York public assistance is bifurcated: it includes a shelter allowance intended to cover housing costs and a cash grant to meet other needs. These are 50 percent federally funded, the rest equally shared by the state and city. As a result the discount had constituted a savings for the state and city.

14. In return NYCHA received $29.4 million for transitional (six-month) employment of public assistance recipients. The equivalency of the two transfers remains unclear.

15. NYCHA also pays the Department of Environment Protect (DEP) about $90 million annually for water and sewer services not included in the analysis.

16. State and city shortfalls are estimated in proportion to their overall share of units.


19. A prime example is the expansion of the federal Moving-to-Work (MTW) program, which would allow NYCHA to use Section 8 voucher funds to support operations. It has appeared in NYCHA budget plans since 2007, from its inception as the Section 8 Voucher Reform Act (SEVRA), which has not yet been enacted.


26. NYCHA is on the HUD “waiting list” for RAD since December, 2013, for proposed conversion of Ocean Bay Apartments (1,389 units), Bayside, Queens. NYCHA, Draft PHA Agency Plan, FY2015, May 30, 2014, page 16.

27. The National Housing Trust Fund was enacted in 2008 under ARRA, but it has not yet been funded. Final HUD regulations are forthcoming.


32. NYC Independent Budget Office, op.cit., p. 5.


34. The HP part of the court.


37. The two salaried Board members, other than the Chair, could be removed only for cause.

38. NYCHA’s governance structure was changed by the state in 2013.

39. The New York–New Jersey Port Authority faces a similar problem, witness the current “Bridgegate scandal.”
Related Publications
AVAILABLE AT WWW.CSSNY.ORG

What New Yorkers Want From the New Mayor:
An Affordable Place to Live
by Thomas Waters and Victor Bach, January 2014

Good Place to Work, Hard Place to Live:
The Housing Challenge for New York City’s Next Mayor
by Thomas Waters and Victor Bach, April 2013

Making the Rent: Before and After the Recession:
Rent-Income Pressures on New York City Tenants, 2005 to 2011
by Victor Bach and Thomas Waters, June 2012

The Housing Role in Workforce Development:
Challenge To The New York City Housing Authority
by Victor Bach and Thomas Waters, October 2011