COMPTROLLER OF THE CITY OF NEW YORK
1 CENTRE STREET
NEW YORK, NY 10007-2341
(212) 669-3500

JOHN C. LIU
COMPTROLLER

BY FAX TO (212) 306-7905

July 23, 2013

New York City Housing Authority
Public Housing Agency Plan Comments
Church Street Station
P.O. Box 3422
New York, New York 10008-3422

Attn: John Rhea, Chairman

Dear Mr. Rhea:

As Chief Financial Officer of the City of New York, I have analyzed the draft Annual Plan for 2014 of the New York City Housing Authority (NYCHA) and, unfortunately, I find it to be a familiar rehash of discredited ideas and procedures that is woefully inadequate to bring about the kind of enterprise-wide changes NYCHA says are required in order to move the agency to stable ground into the future.

Since my comments on last year's draft Annual Plan, in addition to cascading issues of unmet safety and repair needs, additional critical concerns have emerged. NYCHA announced its intentions to unload 14 parcels of valuable property at 8 of its Manhattan developments for use as luxury housing; Superstorm Sandy wrought unprecedented damage to NYCHA's developments; the Federal Government imposed across-the-board funding cutbacks due to Sequestration; a new law was enacted that dissolved NYCHA's governing Board and called for the reconstitution of that Board with a total of seven Members to be appointed by the Mayor; and NYCHA disclosed that it will issue new bonds in the amount of $750 million. Despite upheavals at all levels, NYCHA pointedly chose to limit the opportunities for families residing in all the boroughs of our City to offer their thoughts and suggestions about the draft Annual Plan by conducting only one full public hearing located in Manhattan. That was a cynical choice to make and was designed to limit access to residents whose voices deserve to be heard right where they live. Instead of slamming shut the public comment period, NYCHA should instead re-open the public hearing process and permit the new Board of Directors to be fully constituted so that NYCHA is legally authorized to submit its plans to HUD and to implement them if approved by HUD.

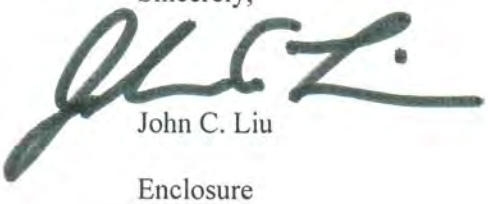
We can no longer sit back and wait for real changes to occur at NYCHA. In order for NYCHA to become a high performing agency, it must submit to the sunlight of openness and transparency. A fuller description of my concerns and my associated recommendations are addressed in the detailed written comments that follow.

Made From 100% Recycled Paper

It's time for NYCHA to be held accountable for neglecting its core mission of providing decent, safe and affordable housing for New Yorkers. Once that happens, NYCHA can emerge as the agent of change and the real advocate for public and affordable housing that it was organized to be, with the tools it needs to accomplish those goals.

Should you have any questions, or you wish to discuss any of the matters raised in this letter and its attachment, please do not hesitate to contact me.

Sincerely,



John C. Liu

Enclosure

Cc: **United States House of Representatives**
The Hon. Nydia Velasquez, Member, U.S. House Subcommittee on Housing and Community Opportunity

United States Department of Housing and Urban Development
Mirza Orriols, Deputy Regional Administrator

New York City Council Members
Rosie Mendez, Chair, Public Housing Committee
Maria Del Carmen Arroyo
Margaret S. Chin
Erik Martin Dilan
James G. Van Bramar
Melissa-Mark Viverito

New York City Housing Authority
Citywide Council of Presidents
Reginald H. Bowman, President
Herma Williams, 1st Vice President
Raymond Ballard, 2nd Vice President
Anne Cotton Morris, Treasurer
Geraldine Parker, Secretary
Ethel Velez, Member
Rose Bergin, Member
John Johnson, Member
Lillie Marshall, Member

Community Service Society of New York
David Jones, President and Chief Executive Officer
Victor Bach, Senior Housing Analyst

Made From 100% Recycled Paper

COMMENTS OF NEW YORK CITY COMPTROLLER JOHN C. LIU REGARDING NYCHA'S DRAFT ANNUAL PLAN FOR FY 2014

Executive Summary Page 12

- **NYCHA is Recycling Failed Ideas and Procedures**
  - NYCHA has demonstrated its commitment to recycling, since so much of what was contained in its FY 2013 Annual Plan reappears verbatim in the draft FY 2014 Annual Plan. The "imperatives" it listed last year in "Plan NYCHA", which NYCHA describes as its "strategic roadmap," have been copied word-for-word directly from last year's Annual Plan. NYCHA can't even bother to develop a new set of priorities and goals for 2014, even in the face of the extraordinary challenges it claims to face in the coming fiscal year. Instead, it cuts and pastes from past reports and recycles the same tired discredited ideas, and hopes no one will notice. Recycling its own work shows the Authority's complacency and demonstrates its lack of leadership from the top down. Last year's plan noted "a major transformation is needed within the NYCHA organization…" This year's plan repeats those very same words. NYCHA residents and the New York community are still waiting for that transformation.
  - **RECOMMENDATIONS**:
    - **NYCHA must develop a new strategic plan in consultation with all affected stakeholders and the new Members of its Board of Directors and show a willingness to act as a dedicated and committed advocate for the preservation of public housing, and utilize new ways to achieve the goals for which the Authority was created.**
    - **NYCHA must redouble its efforts to return to its core mission to provide safe, decent and affordable housing to the population of New Yorkers who are most vulnerable and in need.**

- **NYCHA Continues to Shun Openness and Transparency**
  - NYCHA held a mere 5 community "roundtable discussions" in June, and is conducting only one public hearing in Manhattan. With 179,000 apartments in 2,600 buildings serving 630,000 public housing residents and Section 8 recipients, $3.7 billion in financial resources available to it, and the enactment of a new law that will reconstitute NYCHA's Board of Directors and the way NYCHA is governed, roundtable discussions are a cynical tool designed to limit the number of attendees and to stifle voices that deserve listening to. Resident families have been shunted to the sidelines, with the hope that no one will notice that NYCHA is curtailing an honest dialogue with those whose lives are most impacted by its plans.
  - By limiting resident access during the comment period, NYCHA flouts federal law requiring NYCHA to solicit and include input from public housing residents, Section 8 voucher holders, elected officials and the public at large in the Annual Plan that establishes NYCHA's agenda for the coming year.

Made From 100% Recycled Paper

- And yet, on page 12, NYCHA states: "Despite facing unprecedented challenges-from overwhelming funding shortages, to an aging and decaying housing stock in desperate need of repair, to a growing wait list-NYCHA is leading the charge to meet these obstacles head on. We need to overcome these challenges together; only through sustained, meaningful collaboration can we ensure that this invaluable resource will not be diminished."
- Given the size of NYCHA's budget--FY 2014 discloses the availability of $3.7 billion, the fiscal woes it complains of, significant issues of crime and safety, and literally groundbreaking plans to offload 14 parcels of valuable land in Manhattan to be used for luxury housing, not to mention the imposition of a new law that reconstitutes NYCHA's governing Board, and intentions to issue $750 million in new capital bonds, only one public hearing is patently insufficient. Once again, this is part of NYCHA's general failure to act openly and transparently.
- **RECOMMENDATIONS**:
  - **NYCHA must postpone indefinitely the July 24, 2013 public hearing and fully constitute its governing Board. Only after having done so, NYCHA should re-open the draft Annual Plan comment period and reschedule full and complete public hearings in each Borough**
  - **If necessary, NYCHA should seek HUD's permission to postpone NYCHA's submission of a final FY 2014 Annual Plan until such time as the new NYCHA Board is constituted, is given an opportunity to learn the information necessary for it to exercise good corporate governance of NYCHA, and to provide meaningful input into the finalization of the Annual Plan**
  - **NYCHA needs to do more than what is minimally required to report the comments it receives from interested stakeholders and publish full transcripts of those comments**
  - **NYCHA must give more than just lip service to its statements, and actively engage in sustained, meaningful collaborations in order to meet its challenges head on**

Executive Summary Page 13

Imperative 1: Preserve The Public And Affordable Housing Asset

- **NYCHA Should Reject its Plan to Saddle the Authority with $750 Million of Debt**
  - Our information is that NYCHA recently requested HUD's permission to undertake a new $750 million Capital Fund Financing Program ("CFFP") bond issue in 2013, some proceeds of which will be used to retire an earlier bond issue.
  - NYCHA states "NYCHA postponed a CFFP bond issue during 2011 while enhancements to capital projects planning, processes and delivery methods were undertaken."
    - Why is NYCHA offering this explanation for the delay of the CFFP bond when Chairman John Rhea himself admitted that the Authority did not seek the additional $300 million authorized by a previous CFFP bond because it did not have the capacity or staff to expend the funds, as reported in *The New York Daily News* on Oct. 1, 2012?
    - Does NYCHA now have the staff and capacity to wisely expend the $750 million bond proceeds even when HUD's Secretary Shaun Donovan has publicly questioned NYCHA's level of competence after sitting on nearly $1 billion in federal repair funds? *The New York Daily News* and *Crain's*, March 13, 2013

- Is NYCHA meeting all deadlines for the obligation and expenditure of its existing capital fund allocations?
- Who pays the price for NYCHA's mismanagement? It is the resident families who pay that price, the same people who have been effectively precluded from exercising their voice by NYCHA's callous decision to stifle attendance at the insufficient opportunities NYCHA provided to voice concerns generated by NYCHA's draft Annual Plan. Perhaps if NYCHA had better utilized the $300 million in proceeds of its 2005 capital bond issue and taken better care of its buildings earlier on, NYCHA wouldn't find itself in need of saddling NYCHA with hundreds of millions worth of new debt.
- Is NYCHA over-leveraging its financial future? The Draft Plan notes that borrowing capacity under the CFFP is limited so that annual debt service may not exceed 33 percent of annual federal capital grant awards. If the $750 million bond issue occurs, what percentage of net capital capacity does that represent, and how much excess capacity remains?
- Will NYCHA continue to over-leverage its capital stream and place its borrowing capacity in jeopardy in light of diminishing federal capital subsidies which it notes has seen steady declines for more than a decade, with capital funding cut by 35% since 2001 for a total of $875 million?
- How much will it cost NYCHA to issue new bonds? What is the true cost of borrowing to NYCHA?

- **RECOMMENDATIONS**
  - **For the same reasons it decided to postpone the second tranche of bonds after its issuance of $300 million of CFFP bonds, NYCHA must postpone the imminent issuance of $750 million in debt.**
  - **The postponement of a new CFFP bond issue will permit the new NYCHA Board of Directors to more adequately assess the Authority's financial condition, in light of the possibility that NYCHA could realize significant and immediate cost savings in eliminating unwarranted payments to the City, additional proceeds from HUD and FEMA Hurricane Sandy-related funds and insurance proceeds, energy savings and additional City subsidies that could eliminate or reduce the need for NYCHA to borrow such large amounts of money**
  - **For all capital funds it receives, NYCH should post schedules for obligation and expenditure of each allocation it receives in order to track NYCHA's performance with respect to its capital program**

- **<u>NYCHA Must Marshal all Additional Financial Resources to be Made Available and Expend Them Quickly and Wisely to Prevent Another Disastrous Storm Emergency Response</u>**

  - **<u>Hurricane Sandy Disaster Relief</u>**

    - In May HUD Secretary Shaun Donovan announced that New York City would receive $1.77 billion in Community Block Grant Disaster Recovery funds. Of that $1.77 billion, the City is targeting $108 million for resiliency improvements to public housing. On top of those funds, per New York Mayor Bloomberg, NYCHA is slated to receive "hundreds of millions of dollars in FEMA fund - money that NYCHA is already putting to work protecting buildings from future storms." (June 11, 2013 Press Release)
      - What capital work is being covered by the $108 million?
      - How much money is NYCHA expecting from FEMA?

Made From 100% Recycled Paper

- What capital projects will be covered by the FEMA funds?
- How much money is NYCHA expected to receiver from its insurance coverage re: Sandy?
- What capital projects will be covered by the insurance proceeds?
- How does the Sandy Disaster Relief money dovetail with NYCHA's current capital plan?
- Has NYCHA reviewed its capital spending under the proposed $750 million bond issuance in light of the Sandy-related funds it expects to receive to determine if the bond can be scaled back?
- What are the long-term benefits NYCHA expects to derive from the expenditure of HUD and FEMA money?

- **RECOMMENDATIONS**
  - **NYCHA's FY 2014 budget anticipates that $3.7 billion in financial resources would be available to NYCHA, as compared to $3.14 billion authorized for expenditure in FY 2013. This could leave the Authority with an additional $500.6 million in financial capacity for FY 2014. In light of the Sandy-related reimbursements from FEMA, the receipt of $108 million in Community Development Block Grant Funds, insurance proceeds, etc., these additional funds could be redirected to cover the costs of a reconfigured Capital Plan that could reduce or eliminate the need for the issuing hundreds of millions of dollars worth of new debt.**
  - **NYCHA must, in conjunction with the City, prepare and disseminate to its residents and employees a comprehensive disaster recovery plan that would serve to eliminate the risks to the health and safety of people and the devastating and destructive impact to NYCHA's inventory of buildings**

Executive Summary Pages 13 – 16

Imperative 2: Develop New Mixed-Use, Mixed Income Housing And Resources

- **NYCHA Must Change its Affordable Housing Development Model and Become its own Housing Developer**

  - According to NYCHA's draft Annual Plan for Fiscal 2014, its proposed Land Lease program covering 8 developments in Manhattan would generate $30 -$50 million per year to NYCHA, and would leverage $1 billion annually for capital improvements. Leases would run for 99 years and 80% of new apartments would be market rate, with 20% set aside as housing affordable to low-income residents. Many questions are generated by this flawed paradigm. As examples:
    - Is NYCHA maximizing the value of the proposed leases?
    - Based on pre-RFP documents, the $30-50 million figure amounts to only $200,000 - $350,000 in rent per month, per parcel, for 14 parcels of land at 8 Manhattan developments.
    - What methodology was used to calculate the value of the parcels and the market rate of return?
    - How does NYCHA expect to leverage more than $1 billion of capital funding per year? Where will that money come from?
    - What guidelines and protocols would be applied to leasing the parcels in order to assure permanent affordability for the units being made available to low-income families?

Made From 100% Recycled Paper

- Is NYCHA being held accountable for its promise to require that during construction a minimum of 15% of total labor costs be applied toward the hiring of NYCHA residents, and that 30% of permanent employees be NYCHA residents?
- Will Land Lease Agreements and related agreements require detailed resident hiring plans?
- Will Land Lease agreements and related agreements require job training programs for residents?
- Will the leases contain long-term affordability restrictions during the 99 years for the affordable units? How does NYCHA define "permanent" affordability?
- What is NYCHA's exit strategy for both the affordable and market rate units at the conclusion of the 99-year lease?
- Where and how will the revenue generated from the Land Lease program be spent?
- Why isn't NYCHA seeking wider-reaching zoning relief that could include inclusionary zoning obligations? Is it because it doesn't want to undergo the scrutiny of ULURP?
- How can NYCHA extend resident involvement beyond just the planning process and into the evaluation and oversight of Land Leases, and provide opportunities for residents in the affected developments to acquire skills necessary to evaluate all development proposals?
- Why isn't NYCHA positioning itself as a housing developer in practice instead of in name only?
    - There are many benefits generated by NYCHA acting as its own developer:
        - Lower construction costs
        - Provide residents with construction jobs and long-term operational jobs
        - Provide prevailing wages during construction
        - Ability to form non-profit subsidiaries eligible for development credits
        - Ability to develop entrepreneurial models in order to replicate the success of its federalization program
        - Ability to expand the percentage of affordable housing units through lower construction costs
        - Ability to oversee the design and construction of the new developments to ensure integration with existing facilities.
        - By retaining ownership NYCHA can better provide a level playing field between residents in both affordable and market rate apartments
        - As the developer NYCHA should voluntarily submit to the City's ULURP approval process in addition to the HUD Section 18 hearings

- **RECOMMENDATIONS**
    - **NYCHA should immediately cease to implement its current infill development plans**
    - **NYCHA should engage its own independent appraisers instead of relying on the appraisals of NYCHA's properties by appraisers hired by its developers**
    - **NYCHA should consider each appraisal to be a public document and use this information to set the terms of its own development deals**
    - **Appraisal assumptions and methodologies should be available to the public**

Made From 100% Recycled Paper

- **NYCHA must incorporate prevailing wage requirements into the competitive RFP process and solicit only proposals for its RFPs that contain such requirements as a condition of doing development business with NYCHA**
- **NYCHA must be held accountable for its promises to employ NYCHA's residents**
- **NYCHA must incorporate enforceable hiring and training requirements for NYCHA's residents as a condition of doing any development business with NYCHA**
- **NYCHA must increase the percentage of units being made available as public housing and affordable housing, and have a floor of 25% allocated to affordable housing**
- **NYCHA must ensure the permanent affordability of set-aside units**
- **NYCHA should voluntarily submit every development proposal for ULURP review**
- **NYCHA should seek broader zoning relief to include mandatory inclusionary housing**
- **NYCHA must provide residents with opportunities to learn more about its development goals and processes, in order to engage in informed discussions with its residents. NYCHA should use its unspent HUD Tenant Participation Funds for education purposes, currently disclosed at $15 million**
- **NYCHA must reconsider its Land Lease paradigm and replace that with a model in which NYCHA acts as its own developer to reap greater returns to NYCHA and garner greater degrees of control over permanent affordability and resident employment. NYCHA should be a housing developer in more than name only.**
- **NYCHA should expand upon the entrepreneurial development models it incorporated into its recent large-scale federalization project**
- **NYCHA's infill development plans must at all times improve the affected developments**
- **NYCHA must increase the level of disclosure and transparency about its developments beyond that which state and federal law may minimally require. NYCHA should agree to submit to both ULURP and the fulfillment of all Section 18 disposition requirements**
- **NYCHA must serve as the developer for the 14 parcels in order to retain ownership of its core mission – to provide affordable housing to New York City's working families, while creating vertical communities with facilities such as schools, libraries, retail, community centers, recreational space and medical facilities. For example, NYCHA could provide space for municipal offices and libraries in the new developments, with the rent going to subsidize construction and operations.**
- **NYCHA should better utilize unused development rights on NYCHA properties to meet the need for affordable housing and community development. NYCHA-owned properties could yield more than 30,000 additional housing units. In order to maximize the use of this development potential, rules governing the use and restrictions of TDR's (transferable development rights) and restrictions need to be made more flexible. By expanding the geographic area where they can be used, and allowing for more uses, TDR's become a commodity that can more easily be traded. This can result in NYCHA providing not only housing but integrated communities with commercial and civic uses.**

Made From 100% Recycled Paper

Executive Summary Pages 16 - 18

Imperative 3: Ensure Financial Stability

- **NYCHA and the City Failed or Refused to Acknowledge the Far-Reaching Effects of Sequestration Earlier On**
    - After failing to adequately plan for the budget cuts due to sequestration, NYCHA has shifted the burden to residents to make up a $205 million shortfall by proposing rent increases and reductions in operations and maintenance. Only a last minute infusion of $58 million by the City averted the elimination of vital resident services such as the closing of youth and senior centers. If NYCHA's management is looking for cuts to make up the remaining $145 million, they should look to its expensive consulting contracts and executive staff salaries.
    - Has the long-anticipated but long ignored impact of sequestration provided NYCHA and New York City with a convenient excuse for NYCHA to institute draconian measures to fill the gap that NYCHA states comes as a consequence of sequestration?
    - Has NYCHA implemented all the recommendations of the Boston Consulting Group (BCG) that were generated by NYCHA's $10 million consulting contract with the BCG?
    - BCG estimated annual operational savings of $70 million:
        - How much has NYCHA actually saved in implementing BCG's recommendations?
    - BCG estimated at least $55 million in annual additional revenue:
        - Has NYCHA realized any additional revenues that were projected by BCG's plan?
    - What is the timeline for realizing future savings and revenue per the BCG report?
    - Has NYCHA implemented the recommendations of the March 12, 2012 Office of the Comptroller's Audit Report on the New York City Housing Authority Oversight of the Construction Management Build Program which found opportunities to realize costs savings of $1.5 million with proper oversight of the 's third party construction program?
    - **RECOMMENDATION**
        - **Despite NYCHA's and the City's failure or refusal to plan for sequestration and mitigate its detrimental effects, the City must step in and fill the remaining $145 million budget gap to prevent residents from paying for their mistakes. NYCHA residents are among the most vulnerable New Yorkers. We need to help them, not hurt them.**
        - **NYCHA should adopt our auditors recommendations in order to realize significant cost savings in implementing NYCHA's Construction Management/Build Program**

- **NYCHA's Unwarranted Payments to the City for Police and Sanitation Services and Payments in Lieu of Taxes (PILOT) Should End**
    - According to NYCHA's five-year operating budget, NYCHA pays New York City over $100 million per year for NYPD and Department of Sanitation services above a certain base line, and includes $31 million in PILOT payments.
        - I suggested in comments to NYCHA's Fiscal Year 2013 Annual Plan that NYCHA should terminate the outdated 1994 Memorandum of Understanding with the City respecting policing services, which hasn't reduced crime and has led to burgeoning incidences of objectionable stop-and-frisk activities.
        - Our office also renews its call for NYCHA to immediately revisit its endorsement of stop-and-frisk activities.

Made From 100% Recycled Paper

- Once again, we have the same question as last year - is NYCHA getting its money's worth?
- It is unfair that NYCHA residents are being singled out and treated as second-class citizens, since they are forced to pay for services that other City residents don't pay for.
- Why should NYCHA pay for NYPD services that are given to private landlords for free?
- NYCHA is being taxed twice by having to make $31 million in PILOT payments on top of its payments for NYPD and Sanitation services. The PILOT payments were made on a voluntary basis in exchange for the City providing NYCHA with annual subsidies. Once the City reneged on its obligation by essentially eliminating the subsidies in 2006 under the Bloomberg administration, NYCHA should have ended its PILOT payments.
  - There is precedence for NYCHA not being forced to pay PILOT – both the Chicago and Philadelphia Housing Authorities do not pay PILOT. Nor do the not-for-profit New York City museums pay PILOT.

- **RECOMMENDATIONS**
  - **NYCHA should immediately suspend any payments to the City for NYPD and Sanitation services, and for PILOT, in order to realize over $100 million in cost savings**
  - **In exchange for the City's reneging on its obligations to provide operating and capital subsidies to NYCHA as of 2006, the City should arrange for the return of all funds that NYCHA paid since that time. The City must no longer act as if NYCHA is its personal ATM machine or cash cow.**
  - **The City must treat NYCHA housing as an integral part of its affordable housing strategy and provide the ongoing support NYCHA needs to accomplish its mission. Because the Federal Government funded most of the original construction of public housing, which created and increased the City's affordable housing stock over many years, the City should be invested in NYCHA's fiscal stability, rather than unilaterally divesting itself of its responsibilities.**
  - **The City should restore its annual City subsidies for NYCHA, which were callously eliminated by the Bloomberg administration. This would provide for better long-term budgeting on NYCHA's part, instead of relying on one-shot subsidies to bail the Authority out. These one-shot subsidies will likely be insufficient to meet increasing shortfalls if federal funding continues to be cut back as expected.**

- **Moving to Work (MTW) Proposals Must be Given Utmost Scrutiny in Order to Avoid the Impingement of Tenants' Rights and the Reduction of NYCHA's Transparency**

  - A revised Moving to Work (MTW) program has been submitted to Congress for consideration and the revised proposal is worth looking at more closely. NYCHA intends to apply to HUD for permission to implement MTW, which could provide NYCHA the ability to combine its multiple federal funding streams, allowing the Housing Authority greater flexibility to use federal funds where they are most needed, in NYCHA's discretion. With a long list of backlogs for capital repairs and huge operating deficits, any form of relief, including the lifting of budget restrictions imposed by HUD could be welcomed news.

Made From 100% Recycled Paper

- **RECOMMENDATIONS**
  - **NYCHA's MTW application should not be granted by HUD without NYCHA's written pledge to protect its tenants' rights, such as banning the imposition of arbitrary work requirements, time limits on housing assistance, and by committing to keep intact the Brooke Amendment that caps rents to 30% of income. In addition, with the merging of the multiple federal funding streams, and the easing on the enforcement of strict earmarking of funds, NYCHA might be even more inclined to be even less transparent than it already is.**
  - **With approximately $3.7 billion in financial resources available to NYCHA, and the possibility that MTW will ease or eliminate strict reporting requirements, we urge NYCHA to report their revenues and expenditures through Checkbook NYC 2.0, and to stop playing a shell game when it comes to showing how it spends money.**

Executive Summary Page 18

Imperative 4: Expedite Maintenance And Repairs

- **NYCHA Needs to Come Clean and Explain the Magic Elimination of Hundreds of Thousands of Pending Work Orders**
  - According to NYCHA"s Annual Plan for Fiscal Year 2013, the Authority was spending $31 million to more effectively expedite maintenance and repairs. At that time I questioned the accuracy of the amount and asked for specific ways NYCHA was going to spend that money to expedite maintenance and repairs.
  - In January 2013 NYCHA issued a press release announcing an "Action Plan" to address 423,000 outstanding work orders. The same questions I asked last year now become more acute. The Fiscal Year 2014 Annual Plan sheds little light on how this debacle happened. Instead, NYCHA pats itself on the back for decreasing the backlog of repairs from 423,000 to 274,000 from January to May 2013. These numbers are problematic:
    - NYCHA's monthly repair reports contain no verifiable numbers or back-up. In fact, the description of how the Authority arrives at its numbers is questionable. NYCHA states that it computes reduction rates by "computing the total number of work orders created, and then subtracts the number of work orders closed and cancelled." NYCHA does not supply a definition for 'closed' or 'cancelled'. NYCHA has invested millions to computerize its call center and front line services. Therefore it is hard to believe the Authority cannot substantiate how the work tickets could be reduced so quickly and exactly what repairs were made. That information ought to be produced by the pushing of a button on one of the expensive computer systems NYCHA has put in place.
      - A June 13, 2013 Daily News article reports that NYCHA is simply closing cases when tenants are not home. There have also been reports of NYCHA arbitrarily closing old repair tickets and simply issuing new ones.
      - A May 5, 2013 Daily News article reports that NYCHA's average cancellation rate is 25,000 per month. However, cancellations soared to 58,000 in January, shortly before the Action Plan was announced, resulting in the appearance that NYCHA was lowering the repair backlog.

Made From 100% Recycled Paper

- NYCHA has arbitrarily stated that it will consider the Authority caught up when it hits a rolling 90,000 repair requests, since this will be the number of in-progress cases the Authority expects to have open as a metric of its performance. At the rate of one work order per apartment, 90,000 work orders would affect one half of NYCHA's entire inventory of apartments. That number is patently unacceptable.

- **RECOMMENDATIONS**
  - **NYCHA should document and report the methodology it employed to drastically reduce its backlog of pending work orders so quickly. Included with that information should be the manner in which residents were engaged in the close-out process.**
  - **All maintenance and repair requests should be documented by "before-and-after" photographs that are posted in real time on NYCHA's website.**
  - **NYCHA should disclose how it arrived at what it considers to be an appropriate number of rolling open repair requests at 90,000 tickets, and explain its rationale to 90,000 families awaiting repairs.**
  - **NYCHA should develop a database and carefully analyze the data generated by its repair plans and mine that data to predict future repair needs and associated capital costs with greater accuracy**
  - **NYCHA should develop an application that allows residents to see the real-time status of their repair requests. The application should also be interactive.**

Executive Summary: Pages 18 and 19

Imperative 5: Strengthen the Frontline:

- **New Investment in NYCHA's Front Line is Important, but NYCHA Should Disclose Whether Any Jobs Went to Residents and Whether These Jobs Will Survive the Impact of Sequestration**
  - According to the draft Annual Plan, between 2012 and 2013, NYCHA has hired more than 500 frontline employees, including 225 skilled trade workers. In addition, last year NYCHA added 176 workers for maintenance and repair through an allocation of $10 million from the City Council.
    - Out of the more than 500 new frontline employees, how many are NYCHA residents?
    - What frontline positions were filled by the new employees who are not skilled trade workers?
    - Will NYCHA's failure to anticipate the effects of sequestration result in the layoffs of any newly-hired employees?
    - Out of the 500 new frontline employees, how many of these jobs are union positions?
    - Out of the 176 workers hired with a one-shot grant of $10 million of City Council funds, how many are NYCHA residents?
    - How many of the 176 positions are union jobs?
    - What plans, if any, has NYCHA made to keep these workers after the Council funding expires?
  - On page 23 of the draft Annual Plan, NYCHA states that it received a $7.2 million grant from the U.S. Department of Labor to create 441 temporary positions to perform repair, restoration, and outreach work at developments impacted by Hurricane Sandy. As of January 2013 nearly 150 NYCHA residents have been hired through this initiative.

    - Have the remaining 291 positions been filled? If so, how many of these are NYCHA residents?
    - What date are these positions funded through?
    - Will the termination of funding result in the loss of employment?
    - Has NYCHA made any plan for placing these temporary employees into permanent employment once the grant funding expires?
  - As a result of NYCHA's failure to plan for funding cuts through sequestration, the Authority announced in a press release that it would have to lay off employees. Since NYCHA had ample time to prepare in advance for the 5.2 % funding cuts, one must question whether the Authority knowingly declined to mitigate sequestration's impact in order to use sequestration as a convenient excuse for drastically reducing headcount.
    - What is the status of layoffs at NYCHA?
    - What plans has NYCHA made to retrain and retain the workers subject to layoffs?
  - **RECOMMENDATIONS**
    - **NYCHA should clearly disclose the scope of any additional layoffs being considered and the reasons why.**
    - **NYCHA should report on the number and quality of the jobs it is creating.**
    - **NYCHA should report publically and regularly as to how many of its residents have been hired to augment its frontline.**
    - **NYCHA should report on whether opportunities for job training and advancement are incorporated into the hiring process.**
    - **NYCHA should report how many of the jobs it created are temporary and permanent, and whether jobs created with earmarked funding will receive further funding or be terminated with the termination of special funding.**
    - **NYCHA should report whether it is paying prevailing wages to its new employees and how many are covered by collective bargaining agreements.**

Executive Summary Page 19

Imperative 6: Improve Safety and Security

- **NYCHA Failed and Continues to Fail to Install Security Cameras in its Developments, and has Broken Promise after Promise to Do So**
  - In its Annual Plan for Fiscal Year 2014 NYCHA states that "the safety and security of residents is of great importance to NYCHA."
    - If that is the case, then why has NYCHA continued to drag its feet on utilizing $42 million in earmarked funds to install security cameras, with the Authority sitting on some of that money since 2004?
    - In July of 2012, we posed that same question to NYCHA. The Authority's response was that it planned to expend the money by installing security cameras at 85 developments by the end of 2013. Unfortunately, as of July 2013, NYCHA has installed cameras at only 11 developments – an installation rate of just 13%.
    - NYCHA reports that as of July 2012, elected officials have allocated $51 million, with another $10 million allocated in its FY 2013 budget to install security systems.

Made From 100% Recycled Paper

    - NYCHA discloses that it has no funds of its own to allocate to security upgrades and will only do so at developments that have been allocated discretionary funding for such purposes. Why are residents at non-allocated housing developments treated like second-class citizens, and why on earth would NYCHA state that it is perfectly willing to compromise the safety and security of residents who pay the same rent at the same rates and at the same time, but get significantly less protection than others who happen to reside in areas that are considered worthy on a piecemeal basis by some elected officials? In permitting this to go on, NYCHA is complicit in the endangerment of an entire class of people.
  - NYCHA's continued incompetence in installing security cameras has left residents even more vulnerable to crime.
    - During the delay, a Baruch resident was stabbed to death in an elevator. A teenager was shot to death next door to Baruch. What's even more heart-breaking is the fact that that Baruch residents have been begging for cameras since 2011 – after a 42 year-old woman was stabbed to death in an elevator, on top of several elderly women being beaten the year before. NYCHA currently lists the Baruch security cameras as "under construction."
  - NYCHA's comments on safety and security are unacceptable.
  - **RECOMMENDATIONS:**
    - **NYCHA must immediately end the "Security Apartheid" that exists, where one random group of residents benefit from security upgrades while others are left out in peril.**
    - **NYCHA must be held accountable for its failure to provide security while it leaves money for security systems on the table.**
    - **NYCHA must publicly commit to a specific date by which all of its developments will have the benefits of the installation of security cameras.**
    - **If NYCHA fails to complete the installation of security cameras in a timely fashion, NYCHA should be subject to the recapture of the money it has failed to utilize. Recaptured amounts should be used to pay for third-party installations to fill the gaps in security left by NYCHA.**
    - **In the event NYCHA fails again meet identified completion dates for camera installations, the City and/or HUD should consider imposing additional sanctions on NYCHA.**
    - **NYCHA must provide an accounting of all City money received to date that was targeted to the installation of security cameras.**
    - **The City of New York must immediately fund and oversee the installation of security systems, the absence of which puts lives on the line.**

- **<u>NYCHA Should Disclose the Number of Police Officers it Houses Who are Not Eligible for Public or Assisted Housing, the Terms of Their Tenancies, and Whether Such Occupancies Increase the Rate of Stop-and-Frisk Activities</u>**

  - NYCHA indicates that in accordance with federal law, it reserves the right to permit up to 200 police officers and their families to occupy public housing units whether or not they meet public or assisted housing eligibility standards, in and on terms and conditions the Authority establishes. Officers participating in the program will be required to perform eight hours of monthly community service, similar to the requirement imposed on certain public housing residents.
  - With stop-and-frisk policing activities already rampant on NYCHA campuses, will the presence of additional police increase the frequency of these objectionable events?

Made From 100% Recycled Paper

- **RECOMMENDATIONS**
  - **NYCHA must disclose how many of its apartments are being used to house ineligible police officers and what the terms of their occupancies are.**
  - **NYCHA must come clean about whether this program is being used to beef up stop-and-frisk police activity within its public housing developments?**
  - **NYCHA must make available all data it generates with respect to the occurrence of crime on NYCHA's properties to the maximum extent possible without violating any constraints that confidentiality concerns might legally impose.**

Executive Summary Page 19

Imperative 7: Optimize Apartment Usage and Ensure Rental Equity

- **NYCHA Should Look at Creative Ways to Keep Seniors in Their Apartments and Improve the Quality of Their Lives, Rather Than Kicking Them to the Corner**
  - Instead of looking for ways to oust vulnerable seniors from their apartments and into unfamiliar areas, NYCHA should look at ways in which it could encourage seniors to age in place.
  - One way of doing that would be to relax occupancy rules to permit unrelated seniors to reside in larger apartments together and without risking the loss of a roof over their heads. This would not only make maximal use of apartment space, but could also provide opportunities for roommates to monitor the well being of others and to participate in the health and well being of each other.
  - Another way would be to actively seek zoning changes that would permit higher concentrations of seniors living on NYCHA properties.
  - Still another would be to provide housing opportunities through the amendment of zoning regulations on a large scale bases that would mandate a higher percentage of public and affordable housing within the context of any new development.
  - Additionally, NYCHA could change its development paradigm so that any new mixed-use development on NYCHA property would require the reservation of a fixed percentage of units specifically earmarked for seniors, and the development of holistic communities that all people would want to remain rooted in, because they provide medical, social, recreational and educational services close at hand, even within the same structure.
  - **RECOMMENDATIONS**
    - **NYCHA must look for creative solutions that encourage seniors to remain in their homes rather than looking for ways to oust them from their homes**
    - **NYCHA should look for opportunities to relax residency rules so that unrelated roommates could occupy larger apartments without risking the loss of their housing and be permitted to age in place**
    - **NYCHA should amend its Tenant Selection and Assignment Plan to give seniors looking to take in unrelated persons or other family members into their homes a priority status in the placement process.**
    - **NYCHA should seek zoning relief that would mandate higher set-asides for senior affordable housing on any new development on NYCHA property, and build in the need to create holistic communities that people want to become rooted in as a criterion by which RFP proposals would be judged.**

Made From 100% Recycled Paper

- **Raising Rents in the Midst of an Historic Affordability Crisis in New York City Should be Undertaken Only as a Last Resort**

    - NYCHA must look for other ways to absorb the loss of funds from sequestration, and to generate operating revenues, as opposed to putting that burden on public housing residents and Section 8 recipients in the form of rent increases.
    - NYCHA proposes a reduction in the Section 8 payment standard from 110 percent to 90 percent of fair market rents. This is estimated to increase monthly rent payments by $57.00 for 9,600 households. However, many section 8 residents are already struggling, and this increase will leave many families having to choose between buying food, or keeping a roof over their heads. NYCHA should instead reduce its reliance on highly-paid consultants, and redirect the salaries that should no longer be paid to its former Board Members.
    - NYCHA must also ensure that the public space and community centers being eliminated as part of the Land Lease programs are fully restored to residents use. While these areas could be redesigned as part of a Land Lease program, existing residents must not get the short end of the stick in order for wealthy tenants to be provided luxury towers on Housing Authority grounds.
    - **RECOMMENDATIONS**
        - **NYCHA must re-commit to its mission of providing safe, decent and affordable housing to all. NYCHA should not be looking to limit those opportunities.**
        - **Rent increases should occur only in the most dire of circumstances. Tenants should not be forced to bear the burdens of NYCHA's long-standing mismanagement and the squandering of housing funds**
        - **NYCHA should enact a moratorium on all rent increases until such time as NYCHA has completed its financial audit for 2012 and the public has had an opportunity to review it and comment upon it. This should happen prior to re-convening any further public hearings with respect to the Authority's draft Annual Plan for FY 2014.**
        - **NYCHA must refrain from raising rents until such time as the new NYCHA Board of Directors has been fully constituted and that Board has an opportunity to assess whether rent increases are warranted.**

Executive Summary Pages 19-27

Imperative 8: Connect Residents and Communities to Critical Services

- **With a Multitude of Resources Available to it, NYCHA Must be Much Better at Finding Meaningful Training and Employment Opportunities to Residents**

    - NYCHA reported that in 2012 it facilitated 981 jobs placements. These job placements included 512 hires leveraged through NYCHA's contracting expenditures as required by the federal Section 3 mandate, 405 residents hired directly by the Authority through NYCHA's resident Training Academy and 64 residents hired by private businesses in New York City. According to NYCHA, a total of 621,212 New Yorkers are served by NYCHA. While we do not have the number of residents currently seeking employment, a job placement number of 981 is a paltry figure, particularly in light of the multitude of resident employment programs run by the Authority.
        - To put the number of job placements into its proper perspective – the placement of 981 residents into employment represents less than 0.5% of the NYCHA resident population between the ages of 18 – 62.

Made From 100% Recycled Paper

- The Authority's poor track record in placing residents in meaningful jobs now faces financial hurdles, which leaves little hope for any meaningful job placements for residents in the future:
  - The Resident and Opportunity Self-Sufficiency Program (ROSS) is funded by carve-outs in the Capital Fund and is now subject to sequestration.
  - In addition, NYCHA's JOBS Pilot's Plus program did not receive federal funds in 2012, and was instead funded by Mayor Michael Bloomberg's Young Men Initiative. This Initiative was established in 2009 and its website notes that this is a project funded for three years only. What happens to the JOBS - Plus sites once the Mayoral funding is expended?
- NYCHA's inability to secure full federal funding for both the ROSS and JOBS-Plus programs will severely impact its ability to connect residents to meaningful job training and placement programs. The Authority states its Office of Resident Economic Empowerment (REES) will drive greater outcome for residents in 2014, however little evidence is offered to back up this claim.
- **RECOMMENDATIONS**
  - **NYCHA must maximize its contracting clout and impose and strictly enforce contract obligations given contractors with whom NYCHA does business to either provide training opportunities to NYCHA residents or hire NYCHA residents.**
  - **NYCHA should make resident employment a condition to doing business with NYCHA to the maximum extent possible, and include that requirement in all competitive solicitations upon which all proposers will be evaluated.**
  - **NYCHA's Board should be prevented from approving contracts without express contractual obligations imposed on vendors to hire NYCHA residents**
  - **NYCHA must hold third-party providers of training and employment programs to identifiable standards and terminate relationships when they fail to produce the jobs or training opportunities they promise.**
  - **NYCHA should establish a fund dedicated to the training of NYCHA residents to make up for shortfalls of in job production that is funded by corporate sponsors and real estate developers. NYCHA may need to establish a 501(C)(3) affiliate for that purpose in order to accept donations to that fund.**

Executive Summary Page 27

Imperative 9: Excel in Customer Service

- **NYCHA Needs to Give More Than Lip Service to Improving Relationships with its Residents**
  - NYCHA states that in 2014 it will be placing greater emphasis on its Customer Contact Center (CCC) to help the Authority become a more customer-focused Authority. NYCHA has been pouring money into the black-hole of the CCC since 2005.
  - If the CCC can greatly improve communication at NYCHA, why was the Authority left with more than 423,000 outstanding repair and maintenance orders at the end of 2012? The Authority's handling of the repair debacle leaves little hope that NYCHA will suddenly become more-customer oriented in 2014.

Made From 100% Recycled Paper

- **RECOMMENDATIONS**
  - **Customers expect the benefit of the bargain in the real world. They expect to receive goods and services in exchange for their payment of a fair price for such goods and services, and they expect to be treated with respect and dignity in the process. NYCHA needs to embrace that this truth is the essence of all good customer relations. And it doesn't matter whether their payments are earned at jobs or received by other sources because they meet eligibility requirements for assistance. Simply put, money talks.**
  - **NYCHA needs to approach every encounter it has with its residents with this simple truth in mind. If residents are respected and treated fairly, that respect and fair treatment is usually returned in multiples.**
  - **The best way to evidence customer respect is to attend to their reasonable needs promptly and without undue red tape. NYCHA should have the means to do that, since NYCHA has poured astronomical sums of money into sophisticated computerized systems intended to make that human connection for them.**
  - **If the technology NYCHA may have in hand is reliable, it needs to be utilized to its maximum potential, but there is an equal need to humanize that interaction.**
  - **Good customer relations begin with competent and sensitive staff. NYCHA says it has made significant investments in augmenting its frontline capability. NYCHA also needs to make sure that its residents are provided the means to deal with NYCHA with equal footing, and that comes from training and providing meaningful employment opportunities to its residents whenever that is humanly possible. The dignity of an informed interaction between people who consider themselves to be equal participants is essential to developing positive customer relationships.**
  - **The best way for NYCHA to demonstrate an improved relationship with its resident population is to make sure that they live in habitable apartments that are maintained reasonably well. Merely reducing the number of outstanding work orders by questionable means does not demonstrate anything but a complete disregard for the tenants that NYCHA was organized to help**

Executive Summary Pages 27-28

Imperative 10: Create a high-performing NYCHA

- **Transparency and Accountability Are the Best Inducements for High Performance**
  - In its Annual Plan for Fiscal Year 2014 NYCHA fails to address the issues of transparency and accountability – two necessary ingredients for an open government. On January 24, 2013 my office offered to assist NYCHA in adding its financials to Checkbook NYC 2.0, an online transparency tool that provides unprecedented access to view and track how New York City government spends its nearly $70 billion annual budget. Checkbook NYC provides the public with detailed, up-to-date information about New York City's revenues, expenditures, contracts, payroll, and budget. In January, the U.S. Public Interest Research Group named it the best website of its kind.

Made From 100% Recycled Paper

- Given the fact that the HUD, which funds the majority of NYCHA's budget, is committed to the "open government directive," there is no reason for NYCHA to decline to participate in Checkbook NYC 2.0. The Dec. 8, 2009 open government directive states that "agencies should publish information online in an open format that can be retrieved, downloaded, indexed, and searched by commonly used web search applications. An open format is one that is platform independent, machine readable, and made available to the public without restrictions that would impede the re-use of that information." Checkbook NYC 2.0 would assist NYCHA in meeting this important open government objective.
- Additionally, NYCHA reports on page 78 of its 2014 Plan that its financial audit for 2012 is still in progress and that the report and management letter are expected to be submitted to HUD by the end of July 2013. Conveniently, that will likely occur after the one and only public hearing with respect to the FY 2014 Annual Plan has been completed.
- This is but one more example of NYCHA's lack of transparency and planning – the audit should have already been completed and the results made public in advance of the July 24, 2013 Public Hearing. Therefore, we call for a moratorium on rental increases and the implementation of any financial hardships to residents and employees until such time as NYCHA has completed its audit report and the public has had an opportunity to examine it and comment. This should happen prior to the time that the final Annual Plan for FY 2014 is submitted to HUD for its approval in October.
- Given NYCHA's lack of transparency and accountability, coupled with its severe problems in service delivery, especially the repair debacle, problems with safety and security, and an unprecedented Land Lease program that seeks to give away 14 parcels of prime real-estate, a comprehensive audit of the Authority is desperately needed. The audit needs to go beyond the routine certification of the financials – which tell us only how much the Authority spent, but not whether those expenditures were prudent.
- We need an accounting of how the 423,000 backlog in repairs are mysteriously being cut, why security cameras still haven't been installed at 74 developments – despite millions of dollars sitting in NYCHA's coffers, and how they will spend more than $750 million in new Capital bond funds, when it has admitted it didn't have the capacity to spend already existing funds. NYCHA's problems combined with its extreme lack of leadership calls for an audit of all Authority programs, in order to ensure accountability from the City's largest landlord.
- **RECOMMENDATIONS**
  - **NYCHA should complete its financial audit for 2012 and report its results prior to a rescheduled public hearing, and certainly only after the public has had an opportunity to review it prior to NYCHA's submission of a finalized FY 2014 Annual Plan.**
  - **NYCHA should submit to a comprehensive independent audit to be conducted by the Comptroller's Office. That audit must be broad and scope and go well beyond the mere certification of NYCHA's financials.**
  - **NYCHA should accept the assistance of this Office to facilitate its participation in the rigorous reporting through Checkbook NYC 2.0.**
  - **NYCHA should submit to a separate accounting of how a backlog of 423,000 repair work orders evaporated so quickly.**
  - **NYCHA should submit to a separate audit of the multimillions of dollars NYCHA received to fund the installation of upgraded security systems at some of NYCHA's developments.**
  - **NYCHA should open its Board meetings to a wider public audience by Webcasting its bi-weekly meetings live, and then archiving them on its website. Currently the NYC Pension Funds webcast their monthly investment meetings and make them available for future viewing.**

Made From 100% Recycled Paper