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## **Testimony on the New York City Housing Authority and the City's Preliminary Fiscal Year 2025 Budget**

Submitted to New York City Council Committee on Public Housing

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Thank you for the opportunity to testify about the New York City Housing Authority (NYCHA) and the Fiscal Year 2025 Preliminary Budget. I am Sean Campion, Director of Housing and Economic Development Studies at the Citizens Budget Commission (CBC), a nonpartisan, nonprofit think tank and watchdog devoted to constructive change in the finances, services, and policies of New York State and City governments.

NYCHA comprises New York City's largest and most important supply of deeply affordable housing. The Housing Authority's operations must be both effective and cost-efficient for New York's public housing to remain viable.

NYCHA continues to face the same challenges this year as last year: a large operating budget gap caused by rising expenses and weakened rent collections; deteriorating physical conditions; and an urgent need to continue to implement fully its plan to improve and modernize management.

Over the past year, progress on addressing these challenges was mixed, with some evidence of progress, such as NYCHA's moving Section 8 conversions under Permanent Affordability Commitment Together (PACT) projects forward. However, many critical steps should be taken quickly to stabilize NYCHA's budget and improve physical conditions.

## **NYCHA's Precarious Operating Budget Outlook Remains; One-Time State Funding Helped Balance the 2023 Budget**

The shortfall in NYCHA's public housing operating budget remained steady in 2023, as some improvement in revenue was more than offset by rising expenses. The gap between its public housing expenses and core operating income (rents and federal operating subsidy) reached \$791 million in 2023, roughly unchanged from 2022's \$789 million shortfall. NYCHA remained reliant on subsidies and non-recurring revenue to balance its budget. These revenues supported 27 percent of public housing operations in 2023, roughly the same share as in 2022.<sup>1</sup>

Rent revenue was flat year-over-year, though rent delinquency continued to increase. The share of households behind on their rent increased very slightly from 45.4 percent in October 2022 to 46.5 percent in October 2023.<sup>2</sup> Weak rent collections were offset by a \$100 million increase in federal operating subsidy. NYCHA also advocated for and received a one-time infusion of revenue from the State's Emergency Rental Assistance Program (ERAP) funding for back rent. The ERAP funding relieved NYCHA from having to draw down its reserves or request additional City subsidy in 2023, as it had done in prior years.

However, despite those positive developments, NYCHA's significant operating gap remained unchanged.

Operating expenses rose 3 percent per unit to \$1,510 per month, which remains far greater than the costs of landlords who manage rent stabilized buildings and NYCHA developments converted to Section 8 through PACT.<sup>3</sup>

Labor expenses accounted for most of that growth. Personnel costs totaled \$1.5 billion in 2023, half of NYCHA's \$2.9 billion public housing operating budget. On a per-unit basis, labor costs increased 7 percent from 2022, reaching \$760 per unit per month. Unfortunately, the most recent collective bargaining agreements with NYCHA's largest unions do not appear to have included reforms to allow more flexible work rules, improve accountability, or reduce operating costs. NYCHA also did not realize its goal of reducing overtime in 2023; instead, overtime increased year over year.<sup>4</sup>

## **NYCHA Residents Continue to Face the Worst Housing Conditions in the City**

The 2023 New York City Housing and Vacancy Survey (HVS) found that 43 percent of public housing residents surveyed reported three or more housing condition issues, such as heat outages or mold. One encouraging sign is that the share of public housing households reporting three or more housing problems is the same as in 2021.<sup>5</sup> While the City has not yet released data from the 2023 HVS on whether specific problems have improved, this suggests that recent investments by NYCHA may have stemmed the decline in housing conditions.

## **The 2023 Physical Needs Assessment (PNA) Demonstrated the Rapid Deterioration Happening at NYCHA Developments**

NYCHA's 2023 PNA revealed that an increasing number of developments are reaching the point at which they are no longer cost-effective to repair. In 2018, [CBC estimated that by 2023](#), based on the historic rate of deterioration, 5 percent of units would be at or very close to the point at which they cost more to repair than to build new.<sup>6</sup> Now, in 2023, with the increase in costs, [almost one-third are at or close to the point at which they cost less to build new than to repair](#)—a six-fold increase from 2017.<sup>7</sup> Increasingly, more detailed inspections of building conditions, such as at the Fulton, Elliott, and Chelsea Houses in Manhattan, have found that conditions already passed the point at which it is more cost effective to redevelop properties than to rehabilitate them.

This stark reality is reflected in the substantial per-unit needs at most NYCHA developments. NYCHA's five-year capital needs now total \$60 billion, or \$373,000 per unit, more than double the \$180,000 per unit for those same properties in 2017. Twenty-year needs have reached \$78 billion, or \$483,000 per unit, up from \$255,000 per unit in 2017. NYCHA attributed the increases to cost inflation and scope additions to reflect more accurately the extent of repair work needed.

### **Progress on PACT Is Promising, but Resources for Capital Investment Are Insufficient**

NYCHA has kept pace with renovations funded through PACT, despite a challenging construction cost and interest rate environment. But for the remaining Section 9 developments, resources are insufficient to address NYCHA's daunting physical needs.

PACT represents the most effective strategy for rehabilitating NYCHA buildings and developments. To date, more than 20,000 units have converted to Section 8 under PACT, with another 20,000 units in the planning pipeline. NYCHA's Preservation Trust also has State authorization to convert 25,000 units, though this program remains untested. NYCHA has proposed two potential conversion projects, though the Trust model's operating program is still in development.

For the developments remaining in the Section 9 program, NYCHA's capital budget will help stabilize some buildings in the short term, but its funding is insufficient to reverse extensive deterioration evident in the 2023 PNA and the HVS. Only conversions to Section 8 under PACT or the Preservation Trust will deliver the amount of capital funding necessary to fully renovate NYCHA developments.

NYCHA's \$8.2 billion five-year capital plan for 2024 to 2028 will fund only 14 percent of its \$60 billion five-year capital need, with nearly half coming from City and State funds. NYCHA will also address the capital needs of an estimated 25,000 units through PACT and the Trust by 2028 outside of the \$8.2 billion capital plan. But this leaves as many as 135,000 units, with five-year needs exceeding \$50 billion, in Section 9 without sufficient capital funding for comprehensive rehabilitation.

Also of concern, NYCHA diverted \$511 million of federal capital funds in 2022 and 2023 to fill its operating budget gap. This diversion is indicative of the challenges NYCHA faces. The agency must balance its massive capital needs with its operating budget needs—including the unfunded mandates of the 2019 federal settlement agreement and its high cost, and sometimes inefficient, operations. While permissible under HUD regulations, the capital diversion illustrates the tradeoffs NYCHA makes to balance these obligations.

### **The Progress and Impact of NYCHA's 2021 Transformation Plan to Improve Management and Operations Are Unclear, Absent Public Data Needed to Track Progress**

Under the mandate of its settlement agreement with the U.S. Housing and Urban Development Department (HUD) and the Southern District, NYCHA agreed to overhaul its management and operations. However, despite entering the fifth year of the monitorship and NYCHA's mandated organizational changes either implemented or in process of being rolled out, the data needed to determine whether NYCHA's Transformation Plan is working is unavailable.

NYCHA's previous monitor did not track consistently and publicly whether NYCHA was meeting the benchmarks identified in the settlement agreement. Similarly, despite some reports of improved conditions and efficiencies by NYCHA, its data dashboards and reporting in the Mayor's Management Report do not yet align with the metrics included in the settlement agreement. Systematically tracking NYCHA's progress in a clear, publicly accessible format is needed not only to determine what aspects of the turnaround plan are working, but also to restore public trust in NYCHA's ability to improve living conditions for its residents and to become an effective property manager.

### **Improving NYCHA Is One of the Most Urgent Policy Challenges Facing New York City**

Preserving NYCHA's deeply affordable housing requires not only an infusion of capital funding but also the transformation of NYCHA into an effective, efficient property manager—one that sustains its operations with recurring operating revenues and provides high quality housing and services to its residents.

Our four recommendations for NYCHA remain unchanged:

- Fix or replace deteriorating buildings with PACT and the Preservation Trust;
- Improve management effectiveness and efficiency, and publicly track progress and impact;
- Negotiate savings, boost productivity, and modernize property management through collective bargaining; and
- Overhaul the rent collection process.

Thank you for the opportunity to testify, and I look forward to answering any questions.

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## **CBC NYCHA Research Summary and Links**

### **Capital**

- Stabilizing the Foundation (2018): <https://cbcny.org/research/stabilizing-foundation>
- NYCHA's Untapped Assets: How NYCHA Can Maximize the Value of Infill Development (2018):  
[https://cbcny.org/sites/default/files/media/files/INFOGRAPHIC\\_NYCHAINFILL\\_09282018\\_6.pdf](https://cbcny.org/sites/default/files/media/files/INFOGRAPHIC_NYCHAINFILL_09282018_6.pdf)
- NYCHA 2.0: Progress at Risk (2019): <https://cbcny.org/research/nycha-20-progress-risk>
- Testimony on the New York City Housing Authority's 2023 Physical Needs Assessment: <https://cbcny.org/advocacy/testimony-new-york-city-housing-authoritys-2023-physical-needs-assessment>

### **Operations**

- Cleaning House (2015): <https://cbcny.org/research/cleaning-house>
- Room to Breathe (2017): <https://cbcny.org/research/room-breathe>
- Making the Most of Monitorship (2022): <https://cbcny.org/research/making-most-monitorship>

Uncertain Future, Urgent Priority (2023): <https://cbcny.org/research/uncertain-future-urgent-priority>

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<sup>1</sup> Meeting minutes, New York City Housing Authority Board of Directors (December 19, 2023), <https://www.nyc.gov/assets/nycha/downloads/pdf/board-minutes-12192023.pdf>; and CBC analysis of

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data from Office of the New York City Comptroller, “Checkbook NYC Data Feeds” (accessed January 4, 2024), New York City Housing Authority Expense Budget Transactions and Revenue Transactions.

<sup>2</sup> New York City Mayor’s Office of Operations, Preliminary Mayor’s Management Report (February 2024), p. 344, <https://www.nyc.gov/assets/operations/downloads/pdf/pmmr2024/nycha.pdf>.

<sup>3</sup> CBC analysis of data from Office of the New York City Comptroller, “Checkbook NYC Data Feeds” (accessed January 4, 2024), New York City Housing Authority Expense Budget Transactions and Revenue Transactions; and Sean Campion, *Uncertain Future, Urgent Priority: Fix NYCHA’s Operating Budget Now* (Citizens Budget Commission, May 19, 2023), <https://cbcny.org/research/uncertain-future-urgent-priority>.

<sup>4</sup> Meeting minutes, New York City Housing Authority Board of Directors (December 19, 2023), <https://www.nyc.gov/assets/nycha/downloads/pdf/board-minutes-12192023.pdf>.

<sup>5</sup> New York City Department of Housing Preservation and Development, “2023 New York City Housing and Vacancy Survey: Selected Initial Findings” (February 4, 2024), <https://www.nyc.gov/assets/hpd/downloads/pdfs/about/2023-nychvs-selected-initial-findings.pdf>; and New York City Department of Housing Preservation and Development, “2021 New York City Housing and Vacancy Survey: Selected Initial Findings” (May 16, 2022), <https://www.nyc.gov/assets/hpd/downloads/pdfs/services/2021-nychvs-selected-initial-findings.pdf>.

<sup>6</sup> Sean Campion, *Stabilizing the Foundation: Transforming NYCHA to Address its Capital Needs* (Citizens Budget Commission, July 3, 2018), <https://cbcny.org/research/stabilizing-foundation>.

<sup>7</sup> Sean Campion, “Testimony on the New York City Housing Authority’s 2023 Physical Needs Assessment Submitted to the New York City Council Committee on Public Housing” (Citizens Budget Commission, September 22, 2023), <https://cbcny.org/advocacy/testimony-new-york-city-housing-authoritys-2023-physical-needs-assessment>.