

NEW YORK CITY HOUSING AUTHORITY



RECOMMENDATIONS TO PRESERVE NYCHA FOR DECADES TO COME

MAY 2019

**PREPARED FOR NYCHA BY GRADUATE STUDENTS AT
COLUMBIA SIPA | SCHOOL OF INTERNATIONAL AND PUBLIC AFFAIRS:
REBECCA ABRAMSON, ANDREW CHANG, YUNXI LIU, JESSICA MARCUS, ANNA MARKOWITZ + WEI WANG**

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EXECUTIVE SUMMARY

In 2015, the New York City Housing Authority (NYCHA) and the Mayor’s Office jointly released Next Generation NYCHA 1.0 (NextGen 1.0), an impressive plan to tackle the authority’s most pressing challenges. The plan—a blueprint for the future—was designed around four key goals: achieve short-term financial stability and diversify long-term funding options; improve landlord-related operations; preserve public housing stock through new construction, renovation, and expansion; and redesign the service delivery and resident engagement models.¹ By weaving together four related but distinct objectives, NextGen 1.0 implicitly acknowledged an important guiding principle: no silver bullet can single-handedly transform NYCHA. Instead, decades of disinvestment necessitate an approach that is ambitious, holistic, and diverse.

Last December—only one-third of the way through the original 10-year plan—the Mayor released a new plan, Next Generation NYCHA 2.0 (NextGen 2.0). The updated proposal supercharges the real-estate agenda from NextGen 1.0 but de-prioritizes the remaining three goals—all of which were critical to ensuring NYCHA’s future success. Given these recent developments, we feel compelled to hit the proverbial pause button. Over the last fourteen weeks, our team has conducted original interviews with dozens of stakeholders. The themes that emerged from these conversations underscore the ongoing importance of a holistic approach that focuses on resident engagement, systemic improvements, and new funding models.

Going forward, even if NextGen 2.0 is executed flawlessly, NYCHA will still be accountable for managing more than 110,000 units of public housing—a portfolio larger than Chicago, Philadelphia, DC, Baltimore, Boston and Miami’s public housing authorities combined.² Unless NYCHA works to address the additional challenges outlined in NextGen 1.0, conditions for the remaining 110,000 units will certainly worsen over time³—and RAD is not a near-term option for these remaining units.

In an effort to address these concerns, this report—informed by NextGen 1.0’s original plan and our team’s research and stakeholder interviews—emphasizes three major challenges facing NYCHA today:

¹ NextGen NYCHA 1.0

² <https://housing-futures.org/2018/07/01/top-10-largest-public-housing-authorities-in-the-usa-2/>

³ Data collected by the New York Building Congress suggests that 90% of the buildings will be in disrepair by 2027 if NYCHA does not work to fix their current condition.

(<https://www.buildingcongress.com/advocacy-and-reports/reports-and-analysis/Building-the-Future-of-New-York-NYCHA.html>)

1	A centralized management structure—and underutilized technical systems—that did not have the bandwidth to support a massive portfolio of 178,000 units. Even after 62,000 units undergo RAD conversions, these structures and systems will still be in place for the remaining 110,000 units.
2	A need to rebuild trust with residents.
3	A portfolio of growing capital needs that lacks sufficient funding.

Based on these challenges, this report identifies five key conclusions:

1	The need for a reorganization of NYCHA’s property management group , including an additional yearly investment of \$250-\$300 million for additional maintenance staff to offset the current year-over-year increase in deferred maintenance costs of \$700 million. ⁴ NYCHA must seek out opportunities to target its resources in ways that will yield exponential long-term benefits.
2	Additional funding will only be effective if: <ol style="list-style-type: none"> 1. It is funneled through a management structure that has been redesigned to reflect best practices; 2. It is supported by technology that advances, rather than limits, its impact.
3	NYCHA must work to repair its relationship with residents. By making additional efforts to communicate transparently and include residents voices’ in all current activities and future plans, NYCHA can take steps toward rebuilding a broken foundation of trust.
4	NYCHA must define what ‘fully funded’ truly means. It is clear that today’s capital and operating budgets are insufficient, but it is critical that the authority establish—and that NYCHA be funded at—a more realistic and comprehensive baseline that will enable them to truly maintain and preserve these housing units and assets decades into the future.
5	NYCHA and all levels of government must increase capital funding and identify new and creative sources of funding—many of which already exist. All levels of government have underfunded NYCHA over the past several decades, but data suggest that the city, state, and federal government all have room in their operating and capital budgets to significantly increase funding going forward.

⁴ NYCHA’s Crisis: A Matter for All New Yorkers. Regional Plan Association. December 2018. Pg. 6

Notably, this report does not address several issues crucial to NYCHA's long-term success—namely the city's decision to all but exclude NYCHA from its housing plan, as well as the ongoing challenges around regional labor supply and labor agreements. Their absence here does not reflect a lack of importance, nor a misunderstanding about the ways in which all these issues are intertwined. It does, however, reflect a decision to prioritize challenges within the scope of NYCHA's control, and those that are absolutely imperative to secure the future of New York City's public housing supply.

It is our hope that this report highlights NYCHA's most pressing current and future challenges, as well as key opportunities for improvement. With the right approach, NYCHA can—and must—return to its lauded position as a model public housing authority. Its residents deserve nothing less.

BACKGROUND + HISTORICAL CONTEXT

Despite its long history as a model public housing authority, in recent decades NYCHA has experienced a debilitating one-two punch: a massive reduction in funding and an aging housing stock. Older buildings, when not properly maintained, fall into disrepair even more quickly—leading to a vicious cycle of disinvestment where the demand continually outpaces the supply. These challenges have been exacerbated by NYCHA’s other systemic barriers: concentrated poverty, a shortage of available labor, a suboptimal management structure, and a complicated relationship with the buildings’ residents. While early efforts to mitigate several of these issues have shown promise, it is clear that no public housing authority ever could have fully succeeded under such difficult conditions and constraints.

Going forward, any successful plan for the future must recognize the past—how has NYCHA ended up in the position it finds itself in today?

Historically, NYCHA was regarded as a stellar public housing authority, with systems designed to support the residents, the buildings, and the workers. There was more localized autonomy, ownership, pride and decision making structures. Problems started developing after the shift from a locally managed system to a centrally managed system in the 1990s.⁵ Prior to this shift, NYCHA not only had more employees—17,000 people on staff plus the NYCHA police force,⁶ compared to 10,684 total employees today⁷—but more NYCHA employees were present at each property. A larger on-site presence had another benefit: it facilitated communication with residents, ensuring that complaints and repair requests would get answered more quickly. This, in turn, allowed NYCHA to establish itself as a trustworthy landlord, with employees who felt autonomy and ownership over their work,⁸ and whom residents could rely on to get the job done. As NYCHA shrunk its workforce and consolidated management to a centralized location, the relationships and trust that the housing authority had worked so hard to build began to erode.

“In my day, the staff was the best. They had their job, they did their job, and they were qualified for their job. You’d call, and it would be fixed right away.”

— *Resident of Queensbridge Houses*⁹

“In the seventies it was great. They would fix up anything that you needed. They used to have two people working in each building. We don’t have that anymore.”

— *Resident of St. Nicholas Houses in Harlem*¹⁰

⁵ Stakeholder interview with public housing advocate

⁶ [NYTimes](#), The Rise and Fall of New York Public Housing: An Oral History

⁷ 2019 Budget Book

⁸ Stakeholder interview with public housing advocate

⁹ [NYTimes](#), The Rise and Fall of New York Public Housing: An Oral History

¹⁰ Ibid.

“They stopped doing preventive maintenance, which led to a lot of boilers not working. You have to service the boilers in the summer so they’re ready for the winter, and that stopped being done because they didn’t have the staff to do it.”

— Greg Floyd, *Teamsters*¹¹

Today, not only are there fewer or no NYCHA staff working in each building on a daily basis, but there are not enough employees at the central office to be making decisions on a local level.¹²

Additionally, most of NYCHA’s 178,000 units were constructed between 1945 and the 1970s. As buildings age, their capital needs grow. Although all levels of government are responsible for failing to keep pace with these growing needs, federal funding—the authority’s largest source—declined most precipitously. Over the last several decades, it has consistently failed to match NYCHA’s stated capital needs.¹³ Early signs strongly suggest that this trend will only continue. According to NYCHA 2.0, the federal government is expected to deliver \$2.1 billion to NYCHA over the next 5 years and \$3.6 billion over 10 years—not nearly enough to cover the actual need.

New York State has historically offered limited support for NYCHA’s capital budget, contributing no capital funding at all between the years 2002 and 2014.¹⁴ The city has not done much better: according to the 2017 Physical Needs Assessment (PNA), NYCHA received just 5% of the city’s \$4.7 billion total affordable housing capital funds from fiscal years 2002 to 2014. The de Blasio administration has increased the city’s capital investment in affordable housing, but still only 16% of the City’s \$2.3 billion investment from fiscal years 2015 to 2017 went to NYCHA. According to New York City’s “Preliminary Ten-Year Capital Strategy Fiscal Years 2020-2029”, the city will provide \$9.6 billion to HPD, in support of its capital program goals from 2020-2029.¹⁵ Meanwhile, only \$3.0 billion will be allocated to NYCHA, primarily for building exteriors and systems upgrades and replacement.

NYCHA’s importance to the economic fabric of New York City and State cannot be underestimated. 137,000 NYCHA residents are currently employed in the city, primarily in health care, education, transportation, and retail.¹⁶ If NYCHA residents can no longer afford to live in New York City, the city and state will lose out on the \$2 billion of economic activity they create and the income tax they pay. The region will also struggle to find workers

¹¹ Ibid.

¹² Stakeholder interview with public housing advocate

¹³ <https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-2.0-Part1.pdf>, page 7

¹⁴ <https://cbcny.org/research/stabilizing-foundation>

¹⁵ <https://www1.nyc.gov/assets/omb/downloads/pdf/ptyp2-19.pdf>

¹⁶ http://library.rpa.org/pdf/RPA-NYCHAs_Crisis_2018_12_18_.pdf, page 4

to fill these much needed positions, and entire industries could end up facing severe labor shortages. Additionally, the partial or full dissolution of NYCHA would have an extraordinarily negative impact on the city and state budget. Without NYCHA, thousands of former residents could end up experiencing homelessness, and the city's budget for homeless services would need to expand by \$700 million.¹⁷ These consequences are far from trivial.

Given the potentially devastating effect of NYCHA's dissolution on our local environment, New York City and New York State cannot afford to sit idle, waiting for the federal government to provide more support. Decades of underfunding and disinvestment at the federal level strongly suggest that additional funding is unlikely to materialize. As such, let us be clear: because the city and the state will bear the direct consequences of further fallout, they must step up to the challenge and do everything in their power to ensure that NYCHA continues to thrive. It is important to remember that public housing is affordable housing.

¹⁷ Ibid.

SYSTEMS

PROPERTY MANAGEMENT SYSTEM: CURRENT CHALLENGES

The massive scale and scope of NYCHA—the management of 2,418 buildings¹⁸ with diverse populations scattered throughout the five boroughs—make it nearly impossible to effectively and efficiently manage through a highly centralized system. NYCHA’s ability to be a proactive landlord, react quickly to issues, and communicate effectively is undermined. Further, as NYCHA’s community focused staff amounts to just 100 individuals,¹⁹ having a real understanding of each community and its tenants in order to make decisions that are appropriate for the local context is extremely challenging. As a result, it has grown increasingly difficult for NYCHA to provide adequate property management and building maintenance to all of its developments.

PROPERTY MANAGEMENT SYSTEM: OPPORTUNITIES FOR IMPROVEMENT

In order to create an efficient and effective system, NYCHA should move towards a more localized and building centric property management and building maintenance system. This would require an additional \$286 million per year to hire additional maintenance staff - including building superintendents for day to day jobs and skilled maintenance staff for more complex work - who can systematically execute desperately needed building maintenance and dramatically reduce deferred maintenance costs.

This shift would require the following:

1. On average, one superintendent in every NYCHA buildings.²⁰
2. The creation of onsite property management offices for larger NYCHA developments and centrally located, regional property management groups comprised of a few smaller NYCHA developments in close proximity to one another. These onsite and satellite property management groups should be responsible for the management, operations budget, and regular maintenance of their given developments. They should employ enough trained maintenance, repair, and skilled labor staff to properly manage all of the units within their purview.²¹ Due to proximity, the NYCHA staff at these offices would visit the properties daily, and therefore management would be more in tune with the needs are of their residents and buildings.²²

¹⁸ NYCHA 2018 Fact Sheet. https://www1.nyc.gov/assets/nycha/downloads/pdf/NYCHA-Fact-Sheet_2018_Final.pdf

¹⁹ <https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf>, page 56

²⁰ This excludes the single family homes and smaller, low-rise buildings, where a single superintendent could serve multiple buildings in the same vicinity.

²¹ For example, Queensbridge Houses, one of the largest developments, would have their own property management group. The smaller buildings and single family homes that comprise other developments in Queens would have their own property management group in a central location from which all buildings are conveniently accessible.

²² BCG Report:

<https://www1.nyc.gov/assets/nycha/downloads/pdf/BCG-report-NYCHA-Key-Findings-and-Recommendations-8-15-12vFinal.pdf>

3. NYCHA’s centralized operations teams to maintain oversight by setting and enforcing regulations and guidelines for property management, building maintenance, and the operations budget. This will give the localized staff the authority to execute freely within the guidelines, eliminating the many levels of approvals and bureaucracy that currently exist.

Implementing such a system would not only provide better, more prompt service to the residents and the buildings, but would significantly reduce deferred maintenance costs. As reported by the RPA, NYCHA’s deferred maintenance costs are increasing at a rapid rate - \$700 million year over year. This has amounted to a 15-fold increase in immediate costs from 2011 to 2018.²³ By continuing to defer desperately-needed maintenance on NYCHA buildings, these costs are continuing to grow. Below is the breakdown of the current NYCHA maintenance staff and the proposal for the future.

Current NYCHA Repair, Maintenance, and Skilled Trade Numbers

Each employee is responsible for work needed by 1,125 units and are not assigned to specific developments, neighborhoods, or boroughs.²⁴

	# of Units	# of Personnel	# of Units/Person	FY 2019 Salary (000)
LOCATION				
All Boroughs	175,497	156	1,125	\$13,103
				pp budget: \$83.99

Recommended Breakdown of Staff and Cost per Borough

(Note: this is based on current numbers of properties on NYCHA’s books and includes the RAD transactions that are being finalized right now, as we do not have access to that information).

Our recommendations include:

- 1) 1:1 ratio of property management group for every development across the five boroughs.
- 2) 1:1 ratio of number of superintendents per building.
- 3) 1:100 ratio of number of skilled maintenance staff per number of units.

These localized, better staffed maintenance teams, within the property management groups, will give NYCHA staff more accessibility to the properties they are responsible for, consistency with the units and residents they serve, and a smaller number of units under their purview.

²³ RPA Report

²⁴ NYCHA Budget book 2018

	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Total
PROPERTY						
# of Developments	89	99	97	20	10	315
# of Residential Buildings	583	851	537	215	78	2,264
# of Units	44,292	58,438	53,001	15,299	4,474	175,504
# of Section 8 Units	1,129	1,989	947	-	122	4,187
Total # of Units	43,163	56,449	52,054	15,299	4,352	171,317
Projected # of PM groups	89	99	97	20	10	315
STAFF						
# of Superintendents	583	851	537	215	78	2,264
# of Skilled Maintenance Staff	432	564	521	153	44	1713
COST						
\$ per Superintendent	\$63	\$63	\$63	\$63	\$63	
Cost of Superintendent per Year	\$36,729	\$53,613	\$33,831	\$13,545	\$4,914	\$142,632
\$ per Skilled Maintenance Staff	\$84	\$84	\$84	\$84	\$84	
Cost of Skilled Maintenance Staff per Year	\$36,254	\$47,414	\$43,722	\$12,850	\$3,655	\$143,895
Total Cost of Staff (000)	\$72,983	\$101,027	\$77,553	\$26,395	\$8,569	\$286,527

(Sources: building information - NYCHA 2018 Fact Sheet; Cost information for Skilled Maintenance - NYCHA 2019 Budget Book; Cost information for Superintendent - 2017 NYCHA superintendent application²⁵)

These numbers reflect preliminary, light research through conversations with private, affordable housing property management groups. Their recommendations are one maintenance staff for every 50 units,²⁶ which is reflected in the numbers below when counting both the skilled maintenance workers and superintendents that will be responsible for all maintenance tasks. Additionally, we discovered there is no industry standard in New York City in the private, affordable housing, or public housing market when it comes to building maintenance, onsite staff, and optimal property management organization. This leaves a great opportunity for NYCHA to partner with private sector groups, such as REBNY, to explore these issues and determine best practices and standards to which all property management groups should adhere.

²⁵ <https://www1.nyc.gov/assets/dcas/downloads/pdf/noes/201808508000.pdf>

²⁶ Conversation with MDGNY

To successfully execute this reorganization NYCHA can replicate key systems and methodologies from the private market that utilize a proven best practice of employing a functional property management system. A functional property management system is one where “staff coordination is essential and is achieved through regular meetings involving all parties as well as a standard reporting system. In this model, ‘the building is the center with all around; everything depends on communication.’”²⁷ NYCHA can capitalize on existing relationships with property managers such as MDG, who were responsible for the successful RAD conversion of Ocean Bay/Bayside, to create NYCHA specific systems based on industry best practices.²⁸

Robust, consistent communication is vital to ensure success of all employees across these localized property management offices. NYCHA should implement better communication processes, channels, and touchpoints from 250 Broadway and across properties and boroughs to ensure alignment and adherence to the guidelines. Additionally, an annual property management review system should be implemented to ensure compliance with both NYCHA regulations and the federal standards for decent living conditions.²⁹ These reviews should be conducted by the management team at 250 Broadway, and incorporate resident feedback to increase accountability both from the top-down and the bottom-up.

“Today, most NYCHA teams on the ground are unaware of NYCHA’s current guidelines and procedures, and therefore are not adhering to them. Simultaneously, NYCHA’s executive management team is largely unaware of what occurs at each building daily due to lack of transparency.”

-NYC Public Housing Advocate

Shifting away from a fully centralized management system towards a more structured, localized property management system, including a highly effective communications systems, can solve these issues by increasing and ensuring transparency.

WORK ORDER SYSTEM: CURRENT CHALLENGES

Despite NYCHA’s massive challenges, there are opportunities to improve its operational and technical systems so that they accelerate—rather than limit—the authority’s ability to meet its goals. As of April 2019, NYCHA faced 272,000 open work orders for repairs and maintenance—a 78% increase over the previous twelve months.^{30,31} During the same time period, the average service time (the number of days it takes to complete a repair)

²⁷ [Enterprise Report](#) - PM best practices

²⁸ Stakeholder interviews with public housing advocates

²⁹ [AmsterdamNews](#)

³⁰ Some of this increase may be due to new, targeted efforts to remediate lead paint in many of NYCHA’s buildings.

³¹ https://eapps.nycha.info/NychaMetrics/Charts/PublicHousingChartsTabs/?section=public_housing&tab=tab_repairs

increased by 60%, from 55 to 88 days. Because the authority can only manage roughly 90,000 work orders per month, the majority of repairs cannot be completed the same month they were identified. Over time, this snowball effect increases service wait times across the board, keeping them far above the 15-day target.³²

NYCHA's ability to address the growing backlog of open work orders is largely dependent on the availability of labor, and the market has tightened significantly since the recession.³³ However, these conditions cannot fully explain the massive increase in open work orders and average service times over the last year alone—which suggests that there may be other causes and corresponding opportunities for improvement.³⁴ Interviews with multiple stakeholders have highlighted the challenges of Maximo, the system that NYCHA uses to track work orders, as well as the broader work order process:

1. The database does not log the costs associated with each work order, so it is nearly impossible to keep track of the budgetary implications of a necessary repair, or a group of repairs.³⁵ By not having access to real-time cost data, NYCHA is unable to develop an operating budget for each development.
2. The database categorizes work orders into hundreds of different groups, even though many of them share similar traits and needs.³⁶ This organizational structure is not efficient because it prevents NYCHA from being able to sort or group similar work orders so that they can be processed and fixed at the same time.
3. When a NYCHA resident submits a work order, the order gets ranked on a scale from one to nine.³⁷ These nine separate levels make it difficult to prioritize true emergencies over less urgent, albeit still important, requests. The multi-tiered ranking system also makes the repair process less transparent and more confusing for the residents. In contrast, a private developer or property management company would be more likely to categorize repair requests into two clearly-defined and actionable groups: emergency versus non-emergency.

WORK ORDER SYSTEM: OPPORTUNITIES FOR IMPROVEMENT

Even if NYCHA cannot increase its operating budget to address more work orders in less time, there are still opportunities for improvement by realigning and redesigning existing resources.

1. Maximo is a powerful system and widely used across the industry, but NYCHA is not utilizing it to its full potential.³⁸ First, efforts should be made to log costs alongside work orders, so that the operations and

³² https://eapps.nycha.info/NychaMetrics/Charts/PublicHousingChartsTabs/?section=public_housing&tab=tab_repairs

³³ Stakeholder interview with public housing official

³⁴ Stakeholder interview with public housing advocate

³⁵ Stakeholder interview with public housing official

³⁶ Stakeholder interview with public housing official

³⁷ Stakeholder interview with public housing advocate

³⁸ BCG Report:

<https://www1.nyc.gov/assets/nycha/downloads/pdf/BCG-report-NYCHA-Key-Findings-and-Recommendations-8-15-12vFinal.pdf>

maintenance teams can budget their time and resources where they would have the greatest impact. Second, the database's organizational structure—using hundreds of categories to define similar tasks—is not oriented toward solving problems as quickly as possible.³⁹ Restructuring the categorizations around a clearer, more transparent prioritization schema, and simultaneously minimizing redundancies and overlap, could help NYCHA tackle more work orders in less time.

2. Bring together a team of stakeholders and relevant players to conduct a process mapping exercise that examines the full life cycle of a work order.⁴⁰ It can be a fairly confusing and opaque process that could be improved and possibly shortened if everyone had a shared understanding of the current setup.⁴¹ Guiding questions include: What steps are actually taken? How long does it take to move from one step to the next? What does the written process say versus what happens in practice? Where are there opportunities for improvement? Additionally, it is common for people to focus on their own small slice of the process, without understanding how their actions affect or delay future steps. A full view of the entire process could help minimize these stumbling blocks. After the mapping is complete, NYCHA could also compare their own process to a sample collection of work order processes used by private developers, in the hope that it may highlight additional opportunities for improvement.

³⁹ Stakeholder interview with public housing advocate

⁴⁰ Stakeholder interview with public housing advocate

⁴¹ BCG Report:

<https://www1.nyc.gov/assets/nycha/downloads/pdf/BCG-report-NYCHA-Key-Findings-and-Recommendations-8-15-12vFinal.pdf>

RESIDENTS

BUILDING TRUST WITH RESIDENTS

With over 400,000 residents, NYCHA's job of building trust is not an easy one. The decision to shift staff to a central office, combined with the overall reduction in staffing due to budget cuts, has accentuated residents' mistrust of NYCHA. However, even within this context, it is possible to use existing funding more strategically by shifting funding back to local developments and encouraging more open communication with residents.

Currently there are two in-person customer contact centers for residents to receive help with complaints and paperwork. One is in the Bronx and one in Brooklyn, and they receive an average of 925 walk-in appointments per day.⁴² With so many residents from all over the city reporting to just two customer centers, there is a lack of community building and understanding of how work orders are processed:

"The hardest part of the job is that their clients/customers does not understand all the CCC do is put the request in for the repair and that the development is responsible for the repair; as well as their health & safety."

— Anonymous Customer Center Employee June 2018⁴³

NYCHA residents can also submit their repair requests to a call center, but that avenue has its limitations:

"NYCHA is the ONLY Call Center where I was not trained on a computer, but "trained" by viewing PowerPoint presentations, then each trainee being called to "practice" on the only computer in the training room. Call handle time is 3.25 minutes....not nearly enough time to handle calls where irate residents of NYCHA took up much of our time complaining. Also, some of the residents either did not speak English and required an interpreter. Lastly, the worst aspect of the position, was arriving to work and having to spend time looking for an empty desk, or seeking a chair for an available desk. The result was although I swiped in well before my start time, I often ended up clocking into my computer, past my clock in time. I ended up having to arrive to work 45 minutes to an hour, just to get an unoccupied desk."

— Anonymous Employee March 2019⁴⁴

There are currently 137 full time employees and 98 temporary employees who work at the Borough office and Call Center. There are also 144 digital kiosks located at most major NYCHA developments.⁴⁵ Repositioning 144 of

⁴² <https://www1.nyc.gov/site/nycha/about/contact.page>

⁴³ <https://www.indeed.com/cmp/Nyc-Housing-Authority/reviews?start=100>

⁴⁴ <https://www.indeed.com/cmp/Nyc-Housing-Authority/reviews>

⁴⁵ <https://www1.nyc.gov/site/nycha/about/press/pr-2017/digital-kiosks-20170522.page>

the 235 call center employees to be in-person customer center representatives at each individual housing development would help build trust between NYCHA and residents, and provide a better experience for both the resident and employee. These people could answer calls from within their buildings, which would allow them to become more familiar with who addresses the problems locally, help residents use the myNYCHA system, and help them operate the kiosks.

In eight separate interviews—representing RAD housing developers, union leaders, NYCHA employees, activist organizations, affordable housing organizations, and think tanks—stakeholders all agreed that residents were frustrated because they felt like their voices were not being heard by NYCHA. By having fewer anonymous call center interactions and having more full-time employees in each development, people could build better relationships and more trust.

PARTNERING WITH RESIDENTS THROUGH RAD CONVERSIONS

There was near-consensus from all of our interviews that RAD was the most viable way to address the ever growing capital needs to restore NYCHA infrastructure without significantly increasing direct funding for public housing from HUD, New York City, and New York State.⁴⁶ NYCHA plans to convert 62,000 of its 175,000+ units with RAD, which would remove 35% of its highest need properties from the current portfolio. Given this consensus among community groups, NYCHA and HUD would like to make sure that RAD is rolled out in a way that is most beneficial to residents.

The first RAD transaction at Ocean Bay did an excellent job communicating with residents. They had a community group, Ocean Bay CDC, which held biweekly meetings with residents from the 24 building (comprising 1,395 apartments) complex in Far Rockaway.⁴⁷ Enterprise Community Partners, along with the Legal Aid Society and others, also created a Resident Handbook to walk residents through the RAD conversion process, and the new management company (Wavecrest) attended many of these meeting to speak directly with residents. As a result, residents were very happy with the end product and it is being showcased as the future of RAD conversions in New York City. However we want to ensure that future RAD development follow Ocean Bay's model of:

- 1) Having transparent materials for residents about funding, leases etc; and
- 2) Having frequent resident meetings to build trust in the RAD conversion; and
- 3) Tracking household data to study the effect of RAD on residents

⁴⁶ NYCHA-PNA_Exec-Summary-Pres_2018-02-22_v09_rev1

⁴⁷ <https://nextcity.org/daily/entry/nyc-public-private-housing-partnership-hud-rad-program>

TRANSPARENT MATERIALS

With each property being managed by a separate developer, NYCHA needs to make sure that there is a template for leases so that residents are equally protected at all of their properties.⁴⁸ Having separate leases could create disparities in fees, evictions, and general tenant protections, and would make it difficult for residents to understand and protect themselves. This would also make RAD transactions more streamlined at NYCHA and would require less person-power to recreate and check leases for every property.

We also recommend having transparent resident handbooks that clearly depict how the funding of the various conversion models (RAD; Section 8; Section 18; FEMA; LIHTC) affect resident protections. Once more of these conversions take place, it would be helpful for both NYCHA and residents to track the success of each development and see if there is a correlation with the funding model that it used. If there is any negative correlation between a funding stream and resident satisfaction, the removal of that funding stream should be considered.

RESIDENT MEETINGS

With the Ocean Bay RAD conversion there was an all-hands-on-deck mentality. Residents of NYCHA, public housing advocates, and the Mayor's office all wanted to make sure that the first RAD conversion was a success and fully protected the residents. Because of this, everyone involved went above and beyond to fully explain—through in-person meetings and other channels—how RAD was going to work and how it was going to impact their lives. Now that there will be a higher volume of RAD conversions, we need to make sure that future RAD conversions have this same level of resident engagement. Currently, NYCHA only has 100 Resident Engagement employees to communicate with all 400,000 residents.⁴⁹ NYCHA cannot sustain this communication alone and they cannot expect advocacy groups to continually staff these meetings. The Mayor's office or other city agencies should contribute either the funding or the personnel to make sure that there are enough people on the ground to communicate directly with residents. Without enough staff, the mistrust could continue to grow, which could stifle the progress and success of future RAD conversions.

TRACKING HOUSEHOLD DATA

While HUD has studied and tracked the influx of capital investment due to RAD conversions, they have not reported the effect that it has had on residents.⁵⁰ In 2016, HUD began requiring that RAD properties keep resident logs which track if residents were relocated, if they returned to their unit, evictions, ethnicity, family size

⁴⁸ Stakeholder interview with public housing advocate

⁴⁹ <https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf>, page 56

⁵⁰ <https://www1.nyc.gov/site/nycha/about/press/pr-2016/hud-publishes-evaluation-of-rental-assistance-demonstration.page>

and if someone is disabled.⁵¹ However, they have not studied the results or published any documents proving that RAD does not disrupt the lives of residents. Since HUD has not taken this initiative, NYCHA should track this data (as well as rent increases and income of each household) and publish reports on existing RAD and PACT conversions to make sure there are no negative impacts on residents. If, through this study, they learn that rents are increasing or people are getting evicted, then they should take steps to address these issues to prevent any future impact on residents.

Tracking household income is also an important metric because even though RAD developers are not allowed to screen existing residents, they are allowed to screen new residents.⁵² Tracking household income would allow NYCHA to study the impact of screening residents and make sure that low-income New Yorkers are not excluded from housing opportunities. If low-income families are being excluded from housing, then NYCHA should look at the percentage of rent collection of the existing families that were not screened. If these residents are paying rent at the 95% rate that is required by the developers, then they should remove the screening process for new residents.

⁵¹ <https://nlihc.org/resource/rental-assistance-demonstration-assessed-government-accountability-office>

⁵² http://turnercenter.berkeley.edu/uploads/RAD_Report_FINAL.pdf

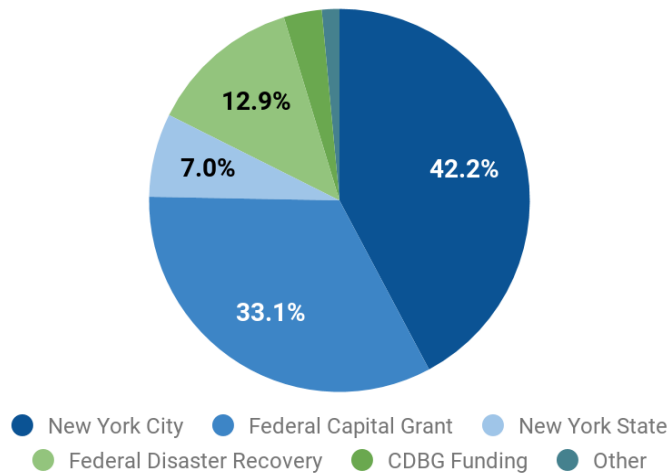
CAPITAL + FUNDING

MEETING THE CAPITAL NEEDS: INVENTORY OF POSSIBLE REVENUE SOURCES

While the immediate capital needs of NYCHA are \$31.8 billion, NYCHA’s most recent five-year capital plan totals only \$6.4 billion for the upcoming five years, FY 2019 to 2023.⁵³

Based on a March 2019 analysis by the IBO, this funding comes from six distinct sources, as shown in the chart to the right.⁵⁴

Breakdown of \$6.4 Billion of Capital Funding



Below, we explore various **sources of additional funding, at the city, state and federal levels**. These additional sources of revenue include increasing existing appropriations, subsidies and funding streams; capital budgets; and possible new taxes, fees, bonds, grants, and other creative options. We provide these as a near-comprehensive list of various funding options that may help support NYCHA and the city overcome current capital funding shortfalls and infrastructure crises.

CITY AND STATE OPTIONS

As we discuss below, the Federal government must continue to be a critical part of funding NYCHA—including through HUD’s capital grants, through support of RAD conversions, and other creative mechanisms. However, given the history of federal disinvestment and the current political constraints—and barring a radical readjustment—it is also clear that the city and state must be responsible for addressing most of NYCHA’s immediate capital needs in the near-future.

In the current environment, NYCHA and the city—oftentimes in coordination with the state—have been working creatively within the constraints of existing funding options. As reported on extensively by others, these financing options have focused primarily on RAD and other conversions to Section 8, in-fill, and transferring of air-rights—what NYCHA 2.0 describes as Permanent Affordability Commitment Together (PACT) to Preserve,

⁵³ <https://www1.nyc.gov/assets/nycha/downloads/pdf/capital-plan-narrative-fy2019.pdf>

⁵⁴ <https://ibo.nyc.ny.us/iboreports/city-may-need-to-add-more-funds-to-meet-terms-of-housing-authority-settlement-fopb-march-2019.pdf>

Build to Preserve and Transfer to Preserve, respectively.⁵⁵ The above capital budget does not yet include all of these additional sources of funding projected in NYCHA 2.0, which are estimated to help close NYCHA’s capital needs by an impressive \$24 billion over ten years. Simultaneously, though RAD is becoming favored nationally, and while many parties have lauded the ambitious NYCHA 2.0 proposals, there also continues to be significant controversy and concerns over possible unintended consequences of these NYCHA-based real-estate solutions.⁵⁶

Based on our research, we emphasize that there are no perfect solutions to NYCHA’s current capital challenges. However, at this juncture, we also note that if there were sufficient political will—or a different political environment—some of the solutions proposed below might complement existing NYCHA efforts and/or serve as alternative approaches with ultimately fewer negative or unintended consequences. For instance, benefits of public-private partnerships aside, one could argue that simply funding NYCHA capital needs fully, through existing budgets and new sources of municipal, state and federal funding, could be an ideal solution: an approach that would likely have the least public backlash and negative impact on residents—especially if paired with other recommended improvements to management systems. In the future, this may be more feasible in a different political climate, if NYCHA were more fully incorporated into the city’s affordable Housing New York plan, if there were additional sources of city and state capital funding, and/or if there were a significant coalition and building of consensus towards passing some of the options explored below.

CITY CAPITAL BUDGET FUNDING

Our research suggests that the city may, in fact, have significant capacity to allocate more funding to NYCHA out of its own capital budget. Increasing funding from the city’s Capital Strategy plan could help NYCHA and the city preserve tens of thousands more units in New York City’s overall housing stock and would likely generate cost-savings and positive externalities above and beyond any financing costs.

- NYCHA is allocated only \$3 billion in the city’s “Preliminary 10-Year Capital Strategy” for FY 2020 - 2029. This is less than 3% of the city’s projected capital budget of \$104.1 billion in “planned spending.”⁵⁷ Based on the NYCHA 2019-2023 Capital Plan, \$2.69 billion of this would be allocated from the years 2019 to 2023.⁵⁸

⁵⁵ According to NYCHA’s own Four-Year Financial Plan FY 2020 to 2023: “NYCHA’s preservation initiative, which centers on the conversion of public housing funding to Section 8 project-based vouchers and the creation of public-private partnerships to address the needs of NYCHA’s developments. Under PACT, NYCHA seeks to identify resources and opportunities to make major physical and operational improvements while preserving long-term affordability, maintaining strong resident rights, and stabilizing developments by placing them on a more solid financial footing.”

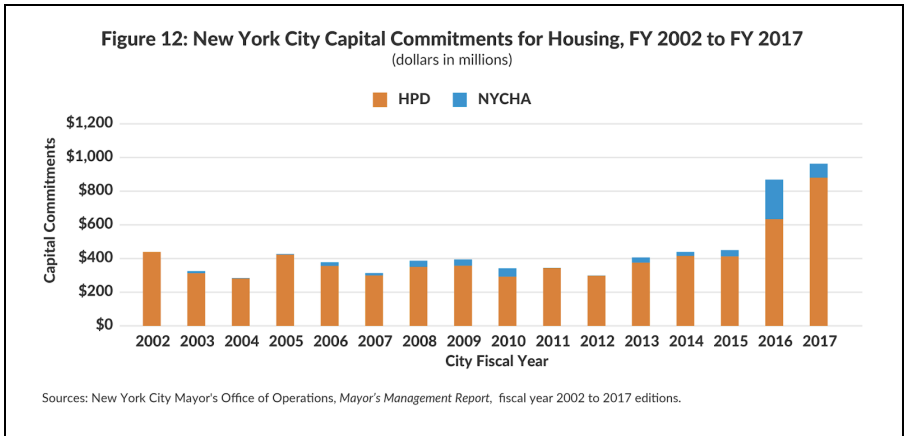
⁵⁶ It is worth noting that our interviews with stakeholders suggest that the shift in policy for infill in NYCHA 2.0 is being better received: namely, to ensure that any revenue generated from infill proposals (mixed affordable and market-rate developments built on NYCHA land) are utilized at that development and building site, for renovations and preservation of existing buildings.

⁵⁷ Note: the overall amount should be increasing to \$4.2 billion over ten years, based on more recent agreements between the city and HUD in the first several months of 2019.

⁵⁸ <https://www1.nyc.gov/assets/nycha/downloads/pdf/capital-plan-narrative-fy2019.pdf>

- NYCHA is allocated a fraction of the funds that HPD has been given (historically and today) for the preservation of a far larger housing portfolio. For a historical comparison, the

chart to the right (prepared by the NYC Mayor’s Office of Operations) shows the discrepancies in city-provided capital funds to the Department of Housing Preservation and Development (HPD) and NYCHA between FY 2002 to 2017. Even with recent increases in capital needs, this incongruence in



funding seems set to continue. NYCHA’s share of funding is less than a third of HPD’s projected budget in the current capital budget.⁵⁹ Based on the Comptroller Office’s March 2019 “Comments on New York City’s Preliminary Budget for Fiscal Year 2020,” they note that of the \$9.92 billion allocated to HPD from 2020 to 2029, \$3.72 billion is for “preservation, which will address the preservation of the existing affordable housing stock and assist in the creation of long-term affordability.”⁶⁰ Based on the Housing New York plan, HPD is aiming to preserve 120,000 units of private housing, through various mechanisms. This is compared to the \$3.03 billion allocated to NYCHA for capital repairs towards preserving its 175,000 unit housing portfolio.

- There is significant room in the NYC Capital budget for increased funding for NYCHA.
 - The New York City Council’s Finance Division’s March 2019 Report notes that the city remains significantly below its constitutional debt limit, which “as established by the State Constitution, is ten percent of the five-year rolling average of the full value of taxable real property in the city,” for a current total of \$106.2 billion.⁶¹ This is compared to the current 10-year City Capital strategy, which commits on average “\$16 billion annually,” and includes \$77.5 billion over the ten years that is city-financed. The city’s financial health remains strong, with excellent credit ratings and with a debt service of 11.1 percent in 2019 rising to 13.2 percent by FY 2023. Moreover, in reports from the Finance Office and from Comptroller Scott Stringer’s office, both offices observe that the current New York City capital budget is front-loaded, with nearly three times more funding allocated to projects over the first five years of the

⁵⁹ Combined, funding for HPD and NYCHA add up to \$13 billion, making housing the 4th largest “service category” behind “Educational Facilities” (\$23.6 billion), Road and Bridge Work (\$14.3 billion) and “Public Buildings and Facilities” (\$13 billion).

⁶⁰ This total includes an additional “\$2.97 billion for new construction to finance new affordable housing units as part of the Housing New York’s goal to build 300,000 new units by FY 2026;” and “\$2.41 billion for special needs housing which provides for both the construction and preservation of housing for seniors, the disabled, and formerly homeless households citywide.” IBID.

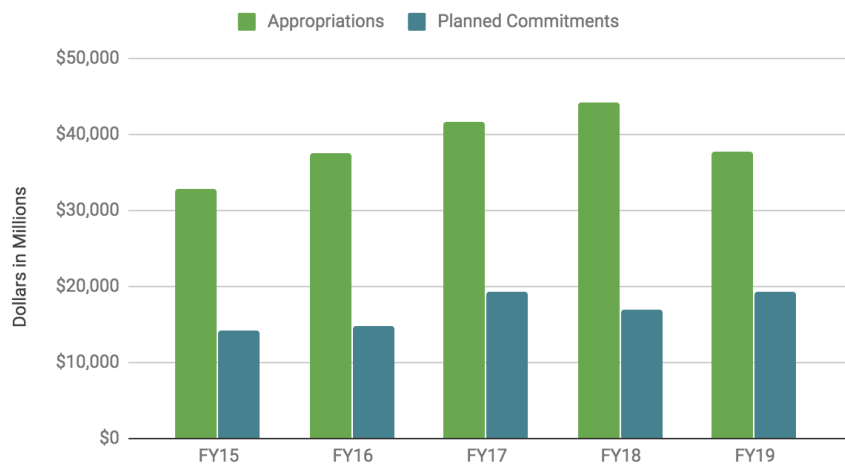
⁶¹ https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/FY20-Preliminary-Capital-Report_Final.pdf

plan as opposed to the latter five years,⁶² suggesting there is room for additional funding for the latter five years.

- The Finance Division’s March 2019 report further indicates that City Capital budgets have been significantly over-funded historically.⁶³ The chart below details how capital appropriations far outpaced capital commitments and what was actually spent through FY15 to FY 19.⁶⁴

Taken together, this excess funding means that capital funds are appropriated and allocated to various departments, but that a significant portion of the city’s capital budget makes its way back to the city budget after not being fully-spent.

Finance Division Briefing Paper: The Capital Plan is Overfunded



- Funding NYCHA more adequately is aligned with the city’s stated goals and values.

Finally, the Finance Division’s report also suggests room for improvement on the city’s 10-year capital plan, especially in regards to its stated guiding principles: to initiate “forward-looking, holistic capital planning that anticipates the neighborhood needs of tomorrow;” to “advance a more equitable New York City through capital investment;” and to “consider community perspectives in capital planning and decision-making.” We argue that increasing the city’s capital funding of NYCHA would seem to be one of the projects most aligned with these city guiding principles.

⁶² From the NYC Council Finance Division’s reaction to 2020 10 year capital plan: Finance Division Briefing Paper Fiscal 2020 Capital Overview: https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/FY20-Preliminary-Capital-Report_Final.pdf

⁶³ Report of the Finance Division on the Preliminary Ten-Year Strategy for Fiscal 2020-2029, Fiscal 2020 Preliminary Capital Budget, and Fiscal 2020 Preliminary Capital Commitment Plan. https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/FY20-Preliminary-Capital-Report_Final.pdf

⁶⁴ While this gap between capital appropriations and commitments is oftentimes essential, providing the “Administration [with] the ability to add projects within the fiscal year without a capital budget modification or the Council’s approval,” the Finance Department acknowledges that “appropriations in the Capital Budget are [also] excessive compared to planned and actual commitments at the budget line level.” In explaining these gaps, their Report suggests that “much of the gap between planned and actual commitments may simply be due to poor planning and inaccurate budgeting,” while also acknowledging “factors... beyond the City’s control, such as unforeseen site conditions... [and] the City’s own rules and regulations [which] often delay capital projects, as well as inflate their cost.”

STATE BUDGET AND STATE CAPITAL STRATEGY FUNDING

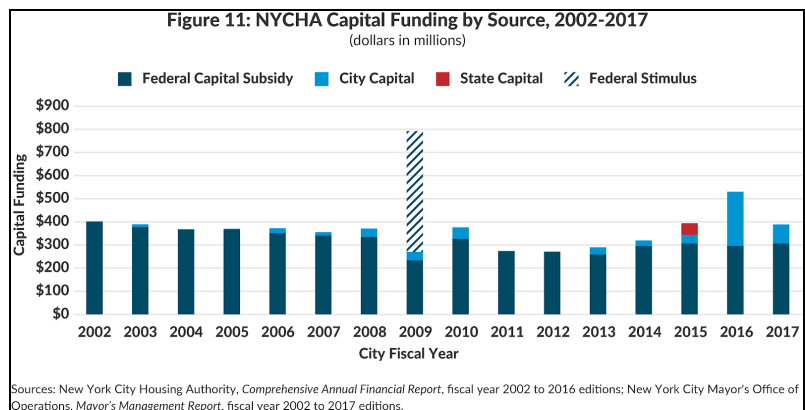
The state also has significant additional capacity to support NYCHA's urgent capital and infrastructure needs:

- The State Budget has expanded overall revenue and includes \$175 billion in spending.

The FY 2020 State budget was finalized at \$175 billion. The budget includes several new revenue-generating proposals including the "mansion tax" and a "property transfer tax," which we discuss below. These additional funds will largely be generated from New York City residents, adding to the already large discrepancy between how much New York City residents contribute to the state in taxes compared to how much the city receives back in services and funds.

- NYCHA has received very little state funding over the past two decades.

Despite the increased state budget and capital budget, including investment in other PHAs across the state, the state has rarely funded NYCHA over the past two decades, as illustrated in the figure to the right (from the Mayor's Office of Operations).⁶⁵ As state above, New York State contributed no capital funding to NYCHA between the years 2002 and 2014.⁶⁶



- The state has committed to infrastructure and housing funding but has included limited funds for NYCHA. The state has committed to a \$150 billion, five-year infrastructure program, including "\$9 billion to further the state's investment in the construction of high-quality, affordable housing for the people of New York."⁶⁷ Overall, and including its investments beginning in 2017, the state is set to invest \$20 billion over five years to "affordable housing, supportive housing and related services to provide New Yorkers with safe and secure housing." This will include "creating or preserving over 100,000 units of affordable housing and 6,000 units of supportive housing," and consist of "\$3.5 billion in capital resources, \$8.6 billion in State and Federal tax credits and other allocations, and \$8 billion to support the operation of shelters, supportive housing units, and rental subsidies."⁶⁸

⁶⁵ <https://cbcny.org/research/stabilizing-foundation>

⁶⁶ <https://cbcny.org/research/stabilizing-foundation>

⁶⁷ <https://www.budget.ny.gov/pubs/archive/fy20/exec/cp/fy20cp-ex.pdf>.

⁶⁸ <https://www.budget.ny.gov/pubs/archive/fy20/exec/cp/fy20cp-ex.pdf>.

- The state has appropriated \$450 million to NYCHA since 2017, including \$250 million for emergency repair projects at NYCHA housing sites for FY 2019.⁶⁹ These latest funds are accounted for as part of the state’s multi-year \$2.5 billion capital budget allocated to housing and homelessness (titled the “Affordable and Homeless Housing Capital Plan”). Outside of this 10% to NYCHA, however, the bulk of these funds are dedicated to supportive housing and new construction of affordable rental housing (\$950 million and \$472 million, respectively).⁷⁰

There are a number of ways the state can increase its support of NYCHA, including:

- 1) **Releasing the \$450 million** already-appropriated for NYCHA from FY 2017 and FY 2019 and allocate additional funds from the State operating and capital budgets to NYCHA in future years.
- 2) **Continued collaboration** between (and increased funding from) the New York State Homes and Community Renewal (HCR) Department and the city on capital projects and RAD.
- 3) Working with HCR and New York City’s Housing Development Corporation (HDC) to **allocate more of New York’s valuable “volume-cap” tax-exempt private activity bonds to NYCHA** on strategic projects--to preserve tens of thousands of housing units that are at-risk without immediate attention.
- 4) And **earmark additional revenue sources explicitly to NYCHA**, as detailed below, to create more sustainable long-term funding streams and enabling the leveraging of funds for greater bond financing.

BOND FINANCING

Bond financing will likely be a valuable tool to help address NYCHA’s capital shortfall. Our report does not attempt to address all of the complex issues and considerations involved in issuing bonds, except insofar as we argue above that the city does have significant capacity in its capital budget to increase funding to NYCHA. There are of course not-insignificant risks and barriers to NYCHA itself issuing bonds—as it did historically in order to build much of its housing portfolio in the post-World War II decades and did as recently as 1979.⁷¹ However, as NYCHA 2.0 discusses and as suggested by some stakeholders we interviewed, NYCHA and the city can increase its own in-house capacity while working collaboratively with sophisticated New York City issuers, like HDC, who could help lead NYCHA’s capital markets access. Moreover, we echo arguments made by advocates that NYCHA

⁶⁹ <https://www.governor.ny.gov/news/governor-cuomo-announces-250-million-investment-address-health-hazards-and-improve-living>
This is the result of peak spending in FY 2019 for the Affordable and Homeless Housing Capital Plan, including \$250 million for emergency repair projects at NYCHA housing sites expected in FY 2019.

⁷⁰ “\$950 million for development or operation of 6,000 Supportive Housing units across the State over the next five years; · \$472 million for new construction or adaptive reuse of affordable rental housing for households earning between 60 and 130 percent of AMI” Also of note, the current budget also includes “\$146 million for the rehabilitation of multi-family rental housing currently under an affordable regulatory agreement with DHCR or another State, Federal, or local housing agency;” and “\$100 million for NYC Affordable Housing for the preservation, restoration or creation of affordable housing units in NYC...affordable to households earning up to 60 percent of AMI.” Notably, the State also allocates only “\$6 million for the Public Housing Modernization Program, which subsidizes repairs at State supervised public housing projects across the State.”

⁷¹ <https://observer.com/2015/04/city-on-the-edge-the-problems-policies-politics-and-people-of-nycha/>;
<http://www.nychdc.com/content/pdf/bondarchives/officialstatements/NYCHA2005.pdf>

should be seen as a public good and as infrastructure (similar to bridges, roads or the MTA), and should ultimately be funded as such—with bonds and in a manner that prioritizes preservation and extending the value and useful-life of such assets. In addition to any private activity volume-cap bonds used during RAD—or other components of the portfolio that utilize 4% credits with tax-exempt bonds—there will also be additional non-volume cap or governmental purpose bonds and leverage that will be needed for the portfolio to achieve stabilization.

As a final consideration for those issuing bonds on behalf of NYCHA, we explore below the possibility of issuing bonds with longer maturities: as a potential means of both lowering ongoing payment for the issuer and of producing present-value savings. Housing, as an asset, will depreciate as time goes by. Moreover, the ideal situation is for an asset's useful life to match the debt's amortization. However, for more permanent work on a site or project, the useful life may be longer than the traditional 30 years. Thus, for bonds issued on behalf of NYCHA—or were NYCHA, itself in a position in the future to once more issue bonds—we suggest evaluating the bond issuance structure by focusing on overtime payments and present value cost to the issuer.

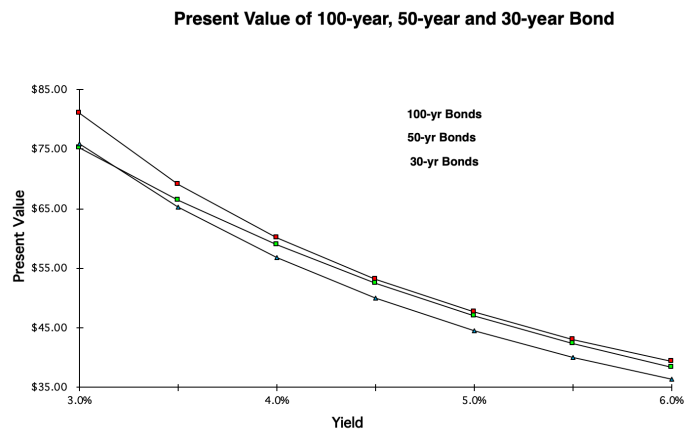
Towards these ends, we have developed a preliminary model to estimate the present values for potential 30-year/ 50-year/ and 100-year bonds. While pricing will be subject to market conditions, structure and maturity length should be explored. As part of this process, we believe both the city and state should amend and modernize their Local Finance Laws to allow for better and more efficient functioning governmental finance in the State of New York, not just of NYCHA, but of all capital assets being financed.

Model Assumptions:

- Cash flow base=\$100; Paid semi-annually
- 100-Yr Coupon rate=5%; 50-Yr Coupon rate=4.5%; 30-Yr Coupon rate=4.0%
- Average life of bonds: 100-Yr bond=80 years;50-Yr bond=35 years; 30-Yr bond=19 years

According to the estimation and graph shown below, we can see that the 50-Yr bond has a smaller present value than the 30-Yr bond. Thus, it would be beneficial for NYCHA to issuer longer debt from a present value and potential asset matching basis. Furthermore, using the present value method, savings will be gained by having longer debt service since longer debt service provides for lower ongoing payments and more free cash flow. Today's flat yield curve also allows for less expensive long-term borrowing for NYCHA and inflation can be well utilized to defer the costs of funding capital improvements by pushing out principal.

Yield	Present Value		
	100-Yr Bond	50-Yr Bond	30-Yr Bond
3%	\$81.05	\$75.88	\$75.25
3.50%	\$69.13	\$65.22	\$66.41
4%	\$60.16	\$56.79	\$58.91
4.50%	\$53.20	\$50.04	\$52.51
5.00%	\$47.64	\$44.58	\$47.04
5.50%	\$43.09	\$40.10	\$42.35
6%	\$39.31	\$36.38	\$38.32



Of course, the exact bond maturity that NYCHA can use should be calculated more specifically

based on market conditions. We believe that looking at funding options, including bonding structures with longer maturities to finance NYCHA, may be worth exploring. While there are still many considerations and concerns on credit, we believe NYCHA should aim to source the lowest-cost capital, which would likely be city (or potentially state)-issued General Obligation bonds.

NEW CITY AND STATE TAXES / SOURCES OF REVENUE

The 2019 State Legislative session has seen several proposals and extensive discussion around new sources of revenue. The final 2019 budget signed into law by Governor Cuomo included a real property transfer tax and a “mansion’s tax”—a one time-tax on purchases of properties valued over \$2 million. These two taxes—which replaced a popular “pied-à-terre” tax (discussed below) that did not make it into this year’s budget—are estimated to generate an additional \$365 million “from high-end property transfers” and generate “up to \$5 billion in financing for MTA projects.”⁷² The budget’s passage, inclusive of these new taxes, indicates that stakeholders, advocates and legislators are advocating for—and receptive to exploring—additional revenue sources to close the NYCHA capital shortfall.

Below, we present various proposals that would help address the funding gap. These include proposals that are already in conversation, as well as others that have not been raised explicitly as solutions for NYCHA but which could help to close NYCHA’s budget shortfall. Appendix A includes additional information about each of these revenue-generating options, including additional context and arguments made in favor and against each option. Importantly, revenue generated from these sources could be flexible--used to fund the operating or capital budget, or both. This is critical, as historically, the underfunding of NYCHA’s operations budget over the past two decades has led both to increased deferred-maintenance costs (as discussed) and to years when NYCHA was forced to further deplete its capital budget to close operations-side deficits.

⁷² <https://www.budget.ny.gov/pubs/press/2019/pr-enactfy20.html>

PROPERTY TAX RELATED REFORMS

Name	Brief Description	Annual Revenue*	10-Year Revenue	Bonded Amount
Pied-à-Terre Tax	Additional property tax on nonresident owners of New York City homes worth more than \$5 million.	\$372-\$650 million	\$3.8-\$6.5 billion	\$9 billion
Reforming the Co-ops and Condos Tax Abatement	Tax-abatement established in 1997 and expiring on June 30 th , 2019; up for renewal/reform this spring. Proposal to end the abatement on the top 10% of coop and condo owners.	\$172 million	\$1.72 billion	\$3.3 billion
Raising the Cap on Property Tax Assessment	Raise the cap on property tax assessments to 8 percent per year and 30 percent over five year on Class 1 properties; and to 10 percent annually and 40 percent over five years for small apartment buildings.	\$156 - \$500 million annually in Year 1-5; \$500-\$633 million after Year 5. ⁷³	4.4725 billion	TBD
Vacant Residential Land Tax	Tax vacant residential lots greater than 2500 square feet at the Class 4 “commercial property” rate.	\$17 million in Year 1, \$115 million annually when fully phased in	0.9104 billion	TBD

*These revenue estimates are highly sensitive to assumptions about changes in market values.

Pied-à-Terre TAX

Description:

Popularly described as the Pied-à-terre tax or “an additional property tax on pied-à-terre residences.” Under the most recent proposal, “nonresident owners of New York City homes worth more than \$5 million would face an annual property tax surcharge starting at 0.5 percent of the value greater than \$5 million and gradually increasing to 4.0 percent of the value greater than \$25 million.”⁷⁴ “Properties valued at \$6 million and above would be subject to a fee and tax, increasing to match the value. For homes valued at \$25 million and over, there would be a \$370,000 fee and a 4 percent tax.”⁷⁵

According to the New York City Housing and Vacancy Survey, pied-à-terre units increased from 55,000 to 75,000 from 2014 to 2017, and make up 30 percent of vacant units in the city.⁷⁶

Estimated Additional Annual Revenue: \$372 - \$650 million annually.⁷⁷

⁷³ According to the IBO: “This change would bring in \$156 million in the first fiscal year and \$500 million to \$633 million annually by the fifth year. These revenue estimates are highly sensitive to assumptions about changes in market values”

⁷⁴ <https://cbcny.org/research/pied-terre-tax>

⁷⁵ <https://www.nytimes.com/2019/03/11/nyregion/mta-subways-pied-a-terre-tax.html>

⁷⁶ Ibid.

⁷⁷ \$372 million estimate from REBNY; \$650 million estimate from NYC Comptroller’s office.

https://www.rebny.com/content/dam/rebny/Documents/PDF/News/Research/Policy%20Reports/Pied-%C3%A0-terre_Tax_Analysis.pdf?
<https://www.nytimes.com/2019/02/09/nyregion/pied-a-terre-tax-ny.html>

REFORMING THE CO-OPS AND CONDOS TAX ABATEMENT

Close the Tax-Abatement on High-End Condos and Coops

Description:

The “Cooperative and Condominium Property Tax Abatement” was established in 1997. This abatement is expiring on June 30th, 2019 and will be up for renewal or reform this spring.

According to the New York Housing Conference (NYHC) and the Independent Budget Office (IBO), in its current form, the abatement reduces “the real property taxes of condominium and cooperative owner-occupiers by 17.5% - 28.1%, [which] totals [to] \$612 million.” NYHC estimates that “more than 320,000 cooperative and condominium homeowners received an average tax break of \$1,890 in FY 2019 but benefits to luxury homeowners far exceed this average.”

A coalition of organizations and legislators have proposed “rescinding the condo/coop property tax abatement for the top 10 percent of owners,” and earmarking “savings” towards NYCHA capital needs.⁷⁸ The NYC’s Housing and Vacancy Survey “indicates that 10% of all coop / condo owners citywide earn more than \$350k/year.”

Estimated Additional Annual Revenue: \$172 million annually.⁷⁹

PROPERTY TAX REFORM

Raise the Cap on Property Tax Assessment Increases

Description:

Property tax in New York has been an oft-written about issue and is likely one of the most controversial reforms. Under current law, “property tax assessments for Class 1 properties (one-, two-, and three-family homes) may not increase by more than 6 percent per year or 20 percent over five years. For apartment buildings with 4 units to 10 units, assessment increases are limited to 8 percent in one year and 30 percent over five years.”

Proponents for reform propose raising “the annual assessment caps to 8 percent and 30 percent for five years for Class 1 properties and to 10 percent annually and 40 percent over five years for small apartment buildings.”

This reform would require state legislation to be passed to raise the caps and “to adjust the property tax class shares to allow the city to recognize the higher revenues.”⁸⁰

Estimated Additional Annual Revenue: \$156 - \$500 million annually in the first five years; \$500 to \$633 million annually by the fifth year.⁸¹

⁷⁸ <https://citylimits.org/2019/04/08/lawmakers-axe-tax-break-for-high-end-condos-and-coops-to-help-fund-nycha/>

⁷⁹ Need citation

⁸⁰ <https://ibo.nyc.ny.us/iboreports/revenue-options-revising-the-property-and-related-taxes.pdf>

⁸¹ According to the IBO: “This change would bring in \$156 million in the first fiscal year and \$500 million to \$633 million annually by the fifth year. These revenue estimates are highly sensitive to assumptions about changes in market values”

VACANT RESIDENTIAL LAND TAX

Tax Vacant Residential Land the Same as Commercial Property

Description:

The IBO estimates that in 2019, there are “15,127 vacant properties not owned by the government” that are mostly taxed as “Class 1 residential properties.” These are assessed “at no more than 6 percent of full market value,” with the “median ratio of assess valued to full market value” at 3% for these properties in 2019.

In other words, this proposed revenue option would tax vacant lots “with an area of 2500 square feet or more” as Class 4 (commercial property), increasing its assessment to “45 percent of full market value” and with “no caps on annual assessment growth.” This would reclassify 7467 lots. This plan would need state approval and would be phased-in over five years.

Estimated Additional Annual Revenue: \$17 million in the first year; \$115 million annually when fully phased in.⁸²

INCOME AND OTHER TAX-RELATED REFORMS

Name	Brief Description	Annual Revenue	10-Year Revenue	Bonded Amount
Stock Transfer Tax	Tax that used to charge a tax of between a 1.25 cents to 5 cents a share on stocks sold. Various proposals: to restore the tax only on corporate stock-buyback trades; or on 40% of all stock trades.	\$100-\$275 million (assumes 5% for NYCHA)	\$1-\$2.75 billion (assumes 5% for NYCHA)	Bondable
Higher Brackets on Personal Income Tax	Add several additional brackets for high-income taxpayers	\$440 million	\$4.4 billion	Bondable
Restructure Personal Income Tax	Restructure income brackets to create a more progressive tax	\$161 million	\$1.6 billion	Bondable

STOCK TRANSFER TAX

Description:

Although this “stock transfer tax” (STT) technically does still exist on the book,⁸³—a tax that used to charge a tax of between a 1.25 cents to 5 cents a share on stocks sold—in practice, this tax has not existed since 1978, as this tax is instantly rebated to stock-traders. In 1977, the STT generated \$279 million; in 2003, the rebates on the STT totaled \$9.3 billion.⁸⁴ The state reimbursed the City for some of this lost revenue until 2001.

⁸² Estimate from the IBO.

⁸³ <https://www.tax.ny.gov/bus/stock/stktridx.htm>

⁸⁴ “Follow the Money: Who Controls New York City Mayors?” Lynne A. Weikart

Various parties have raised calls for reinstating the STT over the years, including the Fiscal Policy Institute (FPI), which estimates that the full rebate on the STT is now at \$13.8 billion, and that re-establishing a smaller STT on 40% of trades—especially those “on high-frequency and high-dollar trades... could raise \$5.5 billion a year.”⁸⁵ The IBO calculated a similar estimate in 2003, for a modified STT that charged between .0625 and 2.5 cents per share traded.⁸⁶ Most recently, a coalition of labor unions and progressive and liberal think-tanks have called for a “a 0.5% New York State tax on stock buyback trades.”⁸⁷ They estimate that this version of the STT solely on corporate buyback trades would “raise \$2 billion per year in revenue, which could be spent on affordable housing, healthcare, and providing quality education to all New Yorkers.”⁸⁸

Estimated Additional Annual Revenue: Varies. \$13.8 billion if entire STT tax is reinstated. \$5 to \$5.5 billion based on models proposed by the FPI and IBO. \$2 billion if applied only on corporate stock buyback trades. Our estimation assumes an annual revenue from the STT for NYCHA of between \$100 to \$275 million, assuming that 5% of the STT would be allocated to NYCHA capital needs.⁸⁹

HIGHER BRACKETS ON PERSONAL INCOME TAX

Tax Increase for High-Income Residents

Description:

This option would increase the “marginal personal income tax (PIT) rates of high-income New Yorkers.”⁹⁰

The current “city personal income tax now has four tax brackets,” with the top bracket beginning at \$50,000 and \$90,000 of taxable income for single and joint filers, respectively, and having an “effective marginal tax rate” of 3.876 percent. A modified PIT as described by the IBO would add three additional “higher income brackets.”⁹¹

“A fifth bracket with a marginal tax rate of 4.0 percent would be levied on taxable incomes ranging from: \$250,000 to \$500,000 for single filers; \$350,000 to \$700,000 for joint filers; and \$300,000 to \$600,000 for heads of household. A sixth bracket would tax incomes up to \$1 million, \$1.5 million, and \$1.25 million for single, joint, and head of household filers, respectively, at a marginal rate of 4.128 percent. A top marginal rate of 4.264 percent would be levied on higher incomes.”⁹²

The IBO notes that “only 4 percent of all city resident taxpayers” as of 2018 would pay more under this proposal. 95% of increased tax burden would be born by “roughly 30,000 taxpayers” who make over a \$1 million.

Advocates in Chicago and other cities--and more recently Governor J.B. Pritzker of Illinois--have also recently been advocating for similar tax reforms to generate revenue and make taxes more progressive.

⁸⁵ <http://fiscalpolicy.org/wp-content/uploads/2018/02/New-York%E2%80%99s-Pronounced-Income-Inequality-and-Evolving-Tax-Structure.pdf>

⁸⁶ https://www.pfnyc.org/reports/2004_12_stock_transfer_tax.pdf

⁸⁷ <http://fiscalpolicy.org/claw-back-tax-rally-on-wall-street-and-beyond>;
<https://indivisiblenationbk.org/events/2018/3/9/tell-albany-wall-street-must-pay-its-share>

⁸⁸ Ibid.

⁸⁹ We calculate this range based on 5% of the \$2 billion version up to 5% of the \$5.5 billion version. This 5% is an aspirational-- but we would argue still conservative--estimate of what NYCHA may typically receive as a share of overall capital spending in New York City.

⁹⁰ <https://ibo.nyc.ny.us/iboreports/revenue-options-adjusting-the-personal-income-tax-2018.pdf>

⁹¹ Ibid.

⁹² Ibid.

Estimated Additional Annual Revenue: \$440 million in 2019, “growing annually in the following years.”⁹³

RESTRUCTURE PERSONAL INCOME TAX

Restructure Personal Income Tax Rates to Create a More Progressive Tax

Description:

Similar to the option above, this restructuring of the PIT would raise marginal rates for those with higher incomes. However, it would also create an overall “more progressive rate structure [by] reducing marginal rates in the bottom income brackets.”⁹⁴ A proposal described by the IBO would create seven tax brackets in total. The lowest three brackets would maintain the same income ranges but reduce marginal tax rates to “2.91 percent, 3.31 percent and 3.65 percent” respectively.⁹⁵ Additionally,

“The marginal rate of the fourth bracket would remain the same (3.88 percent), but would end at taxable income levels of \$250,000, \$350,000, and \$300,000, respectively, for single, joint, and head of household filers. A fifth bracket with a marginal tax rate of 4.0 percent would be levied on taxable incomes from \$250,000 to \$500,000 for single filers; \$350,000 to \$700,000 for joint filers; and \$300,000 to \$600,000 for heads of household. A sixth bracket would tax incomes up to \$1 million, \$1.5 million, and \$1.25 million for single, joint, and head of household filers, respectively, at a marginal rate of 4.128 percent. Finally, a top marginal rate of 4.264 percent would be levied on incomes above the top of the sixth bracket.”⁹⁶

The IBO estimates only “4.4 percent of all city resident taxpayers” would pay more under this proposal. The IBO imagines that proponents of this proposal might point to the following “desirable outcomes: a lasting increase in city tax revenue, a tax cut for the majority of filers, and a more progressive tax rate structure.”

Estimated Additional Annual Revenue: \$161 million in 2019, “growing annually in the following years”⁹⁷

⁹³ Estimate from IBO: <https://ibo.nyc.ny.us/cgi-park3/2018/12/28/revenue-options-adjusting-the-personal-income-tax/>

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ <https://ibo.nyc.ny.us/iboreports/revenue-options-adjusting-the-personal-income-tax-2018.pdf>

⁹⁷ Ibid.

IMPACT OF OUR RECOMMENDATIONS

NEW REVENUE SOURCES	ADDITIONAL REVENUE (10-YEAR PERIOD; BILLIONS)
Pied-à-terre Tax	\$5.15
Taxes on Condos and Co-ops	\$1.72
Property Tax Reform	\$4.4725
Vacant Residential Land Tax	\$0.9104
Stock Transfer Tax (assumes 5% goes to NYCHA)	\$1.875
Personal Income Tax (assumes no growth)	\$4.4
Restructure Personal Income Tax (assumes no growth)	\$1.61
TOTAL	\$20.14

*Where ranges are present, calculations based on average of range

FEDERAL OPTIONS

Background:

Our research suggests that the federal government also has significant capacity to allocate more funding to NYCHA. Past and continued under-funding has significantly impacted NYCHA and contributed to the compounding of capital needs and difficulties faced by NYCHA management and staff.

- **Funding to NYCHA has decreased for decades.** In NYCHA’s Four-Year Financial Plan for 2020-2023, it is noted that “funding for capital repairs continues to be reduced,” with NYCHA anticipating \$306 million “or 27% less than it received” in FY 2001.⁹⁸ On average “NYCHA generally receives about \$2 billion in operating funding from the federal government for its public housing and Section 8 programs, and about \$300 million annually for its capital program.”⁹⁹
 - The **Federal Public Housing Capital Fund** has historically been NYCHA’s “primary source of dollars for capital improvements.” However, in total, NYCHA’s capital needs have been underfunded by HUD—compared to historic funding amounts—resulting in what NYCHA describes as a “**cumulative federal capital grant funding loss of \$1.34 billion since 2001.**”¹⁰⁰ Moreover, according to CBCNY,

⁹⁸ NYCHA’s Four-Year Financial Plan for the years 2020-2023

⁹⁹ Ibid.

¹⁰⁰ <https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf> and <https://www1.nyc.gov/assets/nycha/downloads/pdf/capital-plan-narrative-fy2019.pdf>: “From 2001 to 2017, annual federal capital grants

“adjusting for construction cost inflation, NYCHA received 66 percent less federal capital funding in 2017 than it did in 2002.”¹⁰¹ Lastly, the Center on Budget and Policy Priorities (CBPP) estimates that federal capital funding to PHAs nationally “declined 53 percent [from 2000 to 2016] in inflation adjusted terms, to just \$1.9 billion in 2016...far below the amount that agencies need simply to cover repair needs that accrue each year.”¹⁰² In turn, this “chronic underfunding” contributes to the loss of 10,000 units of public housing each year.¹⁰³

- This underfunding on the capital budget is in addition to NYCHA’s **\$1.43 billion “cumulative funding loss” on the operating side** (over the same time-span). This underfunding is due to “proration” of the operating subsidies NYCHA receives from HUD and Congressional Appropriations each year, and the \$1.43 billion loss is compared to the maximum NYCHA could receive under current operating formulas.¹⁰⁴ Some trace federal disinvestment back to significant cuts on low-income rental assistance funding beginning in 1995 and 1996—which happened in tandem with other cuts to social safety net programs in the mid-1990s. Others, including CBCNY, identify these trends as beginning in 2003 when “Congressional appropriations [began to fall] short of the full amounts due under the federal operating subsidy formula,” forcing HUD to subsequently “proprate” subsidies to PHAs.¹⁰⁵
- Additionally, there is a significant and ongoing discrepancy between Section 8 and Section 9 payment standards. As the chart below demonstrates, Section 9 rents are set far below the equivalent Section 8 payment standard. Although tenants pay no more than 30% of their monthly income in either situation, the landlord would receive considerably more funding under a Section 8 model than a Section 9 model. Over the years, while private landlords have benefited from greater federal subsidies made available under the Section 8 model, NYCHA—which operates under Section 9—has lost out on millions of dollars in potential federal funding.

have declined \$74 million, or 18%, from \$420 million to \$346 million ... In 2018, for the first time in 17 years NYCHA was awarded \$528 million, \$109 million more than the \$420 million in 2001, reducing the cumulative federal capital grant funding loss of \$1.449 billion since 2001 to \$1.340 billion.”

¹⁰¹ <https://cbcny.org/research/six-guidelines-nychas-new-federal-monitor>

¹⁰² <https://www.cbpp.org/research/housing/chart-book-cuts-in-federal-assistance-have-exacerbated-families-struggles-to-afford>

¹⁰³ *ibid.*

¹⁰⁴ <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/05/NYCHA.pdf>;
<https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf>

“Funding for the operating subsidy is based on congressional appropriation. With few exceptions (2002, 2010 & 2011), national appropriations have been inadequate to meet needs of housing authorities. Archival data from 2001 to 2018 conveys NYCHA’s cumulative operating funding loss of nearly \$1.4 billion because of proration. Furthermore, NYCHA has experienced a cumulative federal capital grant funding loss of over \$1.3 billion in the same period... If NYCHA was awarded at 100 percent of total eligibility, there would not be an operating deficit in the Authority’s Five-Year Plan. In fact, NYCHA would have additional resources to meet the needs of residents by supporting critically needed frontline staff, such as maintenance workers, caretakers, and skilled trade persons. However, appropriations have generally fallen short of the funding levels required to fully fund public housing operations in accordance with HUD’s eligibility formula.”

¹⁰⁵ <https://cbcny.org/research/cleaning-house>

# OF BEDROOMS	SECTION 8 PAYMENT STANDARD (NYC) ^{106, 107}	SECTION 9 FLAT RENT (NYC) ¹⁰⁸	DIFFERENCE BETWEEN SECTION 8 vs 9
0	\$1,668	\$1,149	\$519
1	\$1,711	\$1,206	\$505
2	\$1,959	\$1,391	\$568
3	\$2,487	\$1,787	\$700
4	\$2,648	\$1,927	\$721
5	\$3,045	\$2,216	\$829

- Historic and ongoing under-funding has compounded problems:** By all accounts, this shortfall of federal funding and the unmet “needs of aging buildings” has produced a negative spiral, “jeopardizing the preservation of the Public Housing asset” and “placing further strain on [NYCHA’s] operating budget” through increased maintenance and repair costs each year.¹⁰⁹ We also note that this federal disinvestment likely contributed to compounding infrastructure needs at NYCHA, along with other factors covered above. As such, it is difficult to estimate how much the above shortfalls in federal funding over 20 years may have helped NYCHA upkeep more of its building—but undoubtedly, such timely investment could likely have saved NYCHA several times the \$1.3 billion capital sum had NYCHA been fully-funded to begin with.¹¹⁰
- NYCHA does have access to capital financing through HUD but this is also limited:** NYCHA has access to funds through HUD’s Capital Fund Financing Program (CFFP). However, “borrowing capacity under CFFP is limited so that annual debt service may not exceed 33% of annual federal capital grant awards.” NYCHA currently anticipates an annual debt service of \$60 million on its CFFP Series A and B bonds, for \$500 million in net proceeds, which it has obligated to “rehabilitate building envelopes...and the installation of new roofs at...38 developments.”¹¹¹ These limits are further constrained by NYCHA’s shrinking federal capital subsidies, highlighting our arguments above for the need for greater local and state sources of credit and bonds.

¹⁰⁶ This represents the amount that the Section 8 voucher will cover in New York City after the tenant has contributed 30% of their income.

¹⁰⁷ <https://www1.nyc.gov/assets/nycha/downloads/pdf/Section-8-HCV-VPS-NYC-Gov-Version-2019.pdf>

¹⁰⁸ <https://www1.nyc.gov/assets/nycha/downloads/pdf/Flat-Rent-Schedule.pdf>

¹⁰⁹ NYCHA Four Year Financial Plan 2020-2023

¹¹⁰ <https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf>

¹¹¹ Ibid.

Sources and Considerations for Future Funding:

This section explores options for addressing the capital needs shortfall at the federal level. These include important considerations and proposals that current and future administrations could implement.

- **Important Guiding Questions: What would be the full-amount that NYCHA and other PHA's would require on an annual, ten-year and twenty-year basis to be truly fully-funded?** If NYCHA buildings were managed fully under the private asset-management model and were adequately maintained on an ongoing basis, what would be the true consistent amount of capital funding needed? These and other questions may point most productively towards future directions for funding reform.
- **Great Uncertainty Ahead:** Despite New York being one of ten states that paid more in taxes than it received back in services (spending \$24 billion more in tax payments to the federal government than it received in services in 2017), there remains great uncertainty around federal funding for NYCHA.¹¹²
 - The present 2020 budget proposal submitted by President Trump includes **significant cuts to housing aid** across the board. While many analysts acknowledge that the proposed budget is unlikely to be passed as it is in its present form, it is startling that according to the “2020 HUD Congressional Justifications,” funding for the **Public Housing Capital Fund is reduced** from \$2.75 billion annually in 2018 and 2019 to zero in the 2020 request. Moreover, the proposal currently **reduces the Public Housing Operating Fund** from \$4.55 billion annually to \$2.863 billion in 2020.
 - According to experts, restrictions on Congressional appropriations to public housing also contribute to uncertainty around funding levels in the future. A 2016 CBPP study argues that federal spending on public housing was further exacerbated by the “**Budget Control Act of 2011**” (BCA), which enacted budget cuts and spending “caps” on “non-defense discretionary programs” through 2021.¹¹³ From 2010 to 2016, CPBB estimates that public housing funding fell by an additional \$1.6 billion or 21 percent.
 - **Reasons for Optimism:** Amidst great federal uncertainty, internally, NYCHA is estimating a possible \$40 million shortfall in operating funds while nonetheless anticipating receiving similar amounts to recent years in both capital and operating subsidies from HUD--the latter, as discussed, “based on an eligibility formula which is subject to congressional appropriation.”¹¹⁴ The federal budget proposal as written also does increase spending to RAD, which has seen increased funding under the Trump administration.¹¹⁵

¹¹² <https://osc.state.ny.us/reports/budget/2018/federal-budget-fiscal-year-2017.pdf>

¹¹³ <https://www.cbpp.org/research/housing/chart-book-cuts-in-federal-assistance-have-exacerbated-families-struggles-to-afford>

¹¹⁴ NYCHA Four Year Financial Plan 2020-2023

¹¹⁵ <https://www.citylab.com/equity/2019/03/trumps-2020-budget-cuts-social-security-medicare-food-stamps/584440/>

Moreover, given the appointment of a federal monitor and the closer ties now between HUD and NYCHA, one can hope that future agreements would translate to increased funding for NYCHA.

- **Federal funding reform must go beyond current sources and regulations:** As explained above, reform around federal funding must ultimately go beyond what NYCHA estimates as the direct shortfalls in federal funding. After all, had NYCHA been fully funded at the federal level, a significant portion of today's \$31.8 billion capital shortfall would still exist—even under the most optimistic scenarios for state and city funding. Instead, many advocates, experts and officials point to the need for a dramatic shift from current formulas and regulations at the HUD and Congressional level.

Additionally, it would behoove HUD to ensure that their regulations support the long-term viability of NYCHA and other public housing authorities across the country.¹¹⁶ The current regulations make it difficult for NYCHA to rehabilitate its existing portfolio or to modernize its infrastructure once the buildings are up to standard—because they prohibit federal capital funds from being used to pay for more than 90% of the total development costs associated with the project.¹¹⁷ 90% is not industry standard—all other sources of funding (e.g. private, city, public-private, etc.) would pay up to 100% of the total cost. This regulation unnecessarily limits NYCHA's ability to rehabilitate and modernize its housing portfolio on an ongoing basis.

Recommendations:

There are many ways the federal government, Congress and HUD can increase their support of NYCHA, including:

1) **Increase Federal Funding to the Public Housing *Operating* Fund** and end the trend of appropriating less than what PHAs need (and subsequently prorating the amount NYCHA receives). Instead, ensure that NYCHA receives 100% of the funds it is eligible for under current federal operating fund formulas.

2) **Increase Federal Funding to the Public Housing *Capital* Fund** and the amount that NYCHA receives in federal capital subsidies.

3) **Revisit and change federal formulas (including the “Operating Fund formula”) and regulations that limit the maximum amount of federal operating funds that NYCHA can**

¹¹⁶ Stakeholder interview with public housing official

¹¹⁷ <https://www.law.cornell.edu/cfr/text/24/905.314> . This limit is established by sections (f) and (g) under “24 CFR § 905.314 - Cost and other limitations” of the HUD regulations: “Rehabilitation of existing public housing projects. The **HCC** limit is not applicable to the rehabilitation of existing public housing projects. The TDC limit for **modernization** of existing public housing is 90 percent of the TDC limit as determined under **paragraph (c)** of this section;” and **(g)**Modernization cost limits. If the **modernization** costs are more than 90 percent of the TDC, then the project shall not be modernized. **Capital Funds** shall not be expended to modernize an existing public housing **development** that fails to meet the HUD definition of **reasonable cost**

receive. Beyond addressing the \$1.3 billion capital shortfall and \$1.4 billion operating budget loss due to proration as discussed above, ultimately, adjustments to such formulations may be needed to better account for New York City's higher costs, NYCHA's greater capital and preservation needs, and the expansive housing portfolio of NYCHA, amongst other factors.¹¹⁸ As NYCHA and advocates have argued, "while HUD's formula takes location into account... the system is inequitable when one considers the city's uniquely high construction costs as well as higher employment costs in comparison to housing authorities across the US."¹¹⁹

4) Recognize public and affordable housing as valuable infrastructure and increase funds to the preservation of such housing assets in future federal bills and appropriations for infrastructure.¹²⁰ This could include additional subsidies through current appropriations and capital funding-streams (distributed through HUD, FEMA and other departments); increased access to bonds and grants; and/or designated funding through larger stand-alone infrastructure, recovery and resilience and just-transition legislation.

¹¹⁸ "PHA eligibility for a grant from the Public Housing Fund is based on the Operating Fund formula established through negotiated rulemaking in 2007 and codified at 24 CFR 990."

<https://www.hud.gov/sites/dfiles/CFO/documents/2020HUDCongressionalJustifications4-2-19.pdf>. Other authors and organizations have written extensively on this formula including the CBCNY and Amy Lavine: <https://cbcny.org/research/cleaning-house>; http://www.albanygovernmentlawreview.org/Articles/Vol04_1/4.1.212-Lavine.pdf. Helpfully, CBCNY historicizes the origins of this formula: "Since 1971 NYCHA has relied upon the federal operating subsidy to compensate for mandated low rents. To receive this subsidy, NYCHA must detail its compliance with HUD requirements in its annual plan. If HUD approves the plan it enters into an Annual Contributions Contract (ACC) to provide funding under a formula known as the Operating Fund Rule, the funding formula which succeeded the Performance Funding System. The subsidy is calculated as the difference between expenses and rental income, so increases in rental income generally decrease the subsidy, all else being equal."

¹¹⁹ <https://www1.nyc.gov/assets/nycha/downloads/pdf/nycha-2019-budget-book.pdf>

¹²⁰ http://nlihc.org/sites/default/files/NLIHC_Housing-As-Infrastructure.pdf;
<https://infrastructureweek.org/wp-content/uploads/2017/05/Public-Housing-Is-Infrastructure-CLPHA.pdf>

CONCLUSION

After months of empirical research, quantitative analysis, and interviews with experts and stakeholders, our team has identified five key conclusions, each of which seeks to address NYCHA’s most pressing current and future challenges. Despite the uphill battle ahead, we are confident that the right approach will enable NYCHA to return to its lauded position as a model public housing authority. Its residents deserve nothing less.

1	The need for a reorganization of NYCHA’s property management group , including an additional yearly investment of \$250-\$300 million for additional maintenance staff to offset the current year-over-year increase in deferred maintenance costs of \$700 million. ¹²¹ NYCHA must seek out opportunities to target its resources in ways that will yield exponential long-term benefits.
2	Additional funding will only be effective if: <ol style="list-style-type: none">3. It is funneled through a management structure that has been redesigned to reflect best practices;4. It is supported by technology that advances, rather than limits, its impact.
3	NYCHA must work to repair its relationship with residents. By making additional efforts to communicate transparently and include residents voices’ in all current activities and future plans, NYCHA can take steps toward rebuilding a broken foundation of trust.
4	NYCHA must define what ‘fully funded’ truly means. It is clear that today’s capital and operating budgets are insufficient, but it is critical that the authority establish—and that NYCHA be funded at—a more realistic and comprehensive baseline that will enable them to truly maintain and preserve these housing units and assets decades into the future.
5	NYCHA and all levels of government must increase capital funding and identify new and creative sources of funding—many of which already exist. All levels of government have underfunded NYCHA over the past several decades, but data suggest that the city, state, and federal government all have room in their operating and capital budgets to significantly increase funding going forward.

Given the potentially devastating effect of NYCHA’s dissolution on our local environment, New York City and New York State cannot afford to sit idle, waiting for the federal government to provide more support. Decades of underfunding and disinvestment at the federal level strongly suggest that additional funding is unlikely to

¹²¹ NYCHA’s Crisis: A Matter for All New Yorkers. Regional Plan Association. December 2018. Pg. 6

materialize. As such, let us be clear: because the city and the state will bear the direct consequences of further fallout, they must step up to the challenge and do everything in their power to ensure that NYCHA continues to thrive. It is important to remember that public housing is affordable housing—and that the resources NYCHA and NYCHA residents need are well within reach.

APPENDIX A

ADDITIONAL DETAILS ABOUT NEW TAX REVENUE OPTIONS

PIED-à-TERRE TAX

Proponents/ Who Supports It; And What Proponents Say:

At one point in March 2019, it seemed this tax was all but certain to pass. Governor Cuomo, the Democratic majority in the state legislature and advocates seemed united in their support for the pied-à-terre tax. A record purchase of a \$238 million apartment in New York served as “a visceral reminder that when wealthy buyers...purchase expensive apartments as second homes or investments, New York City and the state get less financial benefit than if the home were owned as a primary residence.”¹²² This problem is compounded as buyers who live out of state “are not subject to state or city income taxes.”¹²³

Pointing to the city’s deteriorating infrastructure, ranging from the MTA to NYCHA, proponents and advocates support such a tax for the large revenue it would generate and as a populist response to growing issues of income inequality. As reported by the NY Times, New York City Council also supported the tax, according to Corey Johnson, speaker of the City Council, making it likely that the city would have passed legislation to enact such a tax, had the State Legislature authorized it in the final budget.

The Fiscal Policy Institute and The Regional Plan Association (RPA) have published studies in support of the tax for several years.¹²⁴ Amongst other proposed reforms, RPA Vice President Moses Gates argues that the tax would both raise revenue and either encourage “owners to become full-time occupants and pay city income tax, or incentivize owners to vacate the unit and put it back on the market, helping to ease our housing crisis.”¹²⁵ Pointing to HPDs 2017 Housing and Vacancy Survey, RPA declares the current 3.63% vacancy rate in New York City a “housing emergency,” that demands the city and State take action, especially on the 74,945 “pied-a-terre” units, which sit vacant and “unavailable due to seasonal or recreational use.” RPA argues that returning “42% or 33,293 units back to the rental market would help to “end the rental housing crisis.”¹²⁶

Who Opposes It; and what Critics say:

Opposed: The Real Estate Board of New York, CBCNY, Partnership for New York City, many real estate developers.

¹²² <https://www.nytimes.com/2019/03/11/nyregion/mta-subways-pied-a-terre-tax.html>

¹²³ Ibid.

¹²⁴ <http://fiscalpolicy.org/fpi-proposes-tax-on-most-expensive-nyc-pied-a-terre-residential-units>

¹²⁵ <https://www.globest.com/2019/02/15/rpa-report-advocates-taxing-pieds-a-terre/?slreturn=20190328233628>

¹²⁶ Ibid.

Reasons: In addition to arguing against the tax as a “piecemeal approach” that doesn’t address issues that should be “addressed through comprehensive...property tax reform,” CBCNY joins the real estate industry and others who suggest the tax would have “a negative impact on the luxury housing market,” reducing “demand for high-end homes” and potentially depressing property values. Kathryn Wylde, president of Partnership for New York City and other pro-business and pro-real estate organizations argued that the tax would be difficult to implement and could discourage wealthy residents from owning property or from living even part of the time in New York. RPA and other advocates dispute the notion that the majority of pied-à-terre owners would leave or that such a tax would deter the wealthy from owning property in New York City.

TAXES ON CONDOS AND CO-OPS

Close the Tax-Abatement on High-End Condos and Coops

Proponents/ Who Supports It; And What Proponents Say:

A coalition of advocacy and housing organizations supports ending this tax abatement, including representatives of NYHC, Community Voices Heard, the Citizens Housing Planning Council (CHPC), the Community Service Society of New York, Legal Aid and others.¹²⁷ They are campaigning to close this tax abatement and to “redirect any ‘savings’ in revenue in earmarked funding towards NYCHA’s capital needs, and supplement low-income renters’ affordable housing needs thereafter.” As part of this effort, Assemblyman Robert Rodriguez and Sen. Brian Kavanagh proposed at a press conference at NYCHA Taft Houses “rescinding the condo/coop property tax abatement for the top 10 percent of owners and directing the \$170 million in resulting revenue to NYCHA”¹²⁸ As Jessica Katz, Executive Director of CHPC argued in 2018, “This policy subsidizes condo and coop owners, the vast majority of whom are relatively well-off, at the expense of New Yorkers who need it the most.”¹²⁹ NYHC argues that “the vast majority of coop /condo owners will not be impacted by this change,” as the majority of this benefit goes to “extremely high-end luxury homeowners.” The top 10% include “32,000 luxury homeowners [who receive] \$172 million in tax breaks.” Further, the NYC’s Housing and Vacancy Survey “indicates that 10% of all coop / condo owners citywide earn more than \$350k/year.”

Who Opposes It; and What Critics Say:

Opposed: Council of New York Cooperatives & Condominiums (CNYC)

Reasons: CNYC has argued that “thousands of ordinary New Yorkers who rely on the abatement program to bring their carrying charges to a level that they can afford,” and that the abatement program makes the dream of homeownership possible for so many.”¹³⁰

¹²⁷ <https://citylimits.org/2019/04/08/lawmakers-axe-tax-break-for-high-end-condos-and-coops-to-help-fund-nycha/>

¹²⁸ <https://citylimits.org/2019/04/08/lawmakers-axe-tax-break-for-high-end-condos-and-coops-to-help-fund-nycha/>

¹²⁹ <https://www.nydailynews.com/opinion/ny-oped-kill-costly-coop-condo-break-20180712-story.html>

¹³⁰ <https://www.habitatmag.com/Publication-Content/Co-op-Condo-Buyers/2018/2018-August/CNYC-Abatement-Rebuttle>

PROPERTY TAX REFORM

Raise the Cap on Property Tax Assessment Increases

Proponents/ Who Support It; And What Proponents Say:

Several organizations have teamed up on this issue in recent years, forming a coalition called “Tax Equity Now NY” (TENNY) which filed a lawsuit against the City on this issue in 2018.¹³¹ TENNY includes organizations such as the NAACP, the Black Institute, “landlords and homeowners [and] has teamed up with lawyers from the firm Latham & Watkins, including former Chief Judge Jonathan Lippmann.” Together, TENNY filed “a class-action suit...charging that the DNA of the city's property tax system is racially biased and favors the affluent over the working- and middle-class.”¹³²

Proponents of tax reform argue that reforming property tax caps is essential given skyrocketing property values. As property values far outpace the capped amount that property taxes have increased in the past decades, some homeowners have greatly benefited from this discrepancy while others—namely renters and homeowners in neighborhoods with lower property values—have been hurt.¹³³ The IBO points out that the property tax caps can:

“exacerbate existing inequities within the capped classes if market values in some neighborhoods are growing faster than the cap while values in other neighborhoods are growing slower than the cap.

Moreover, in a classified tax system, such as New York’s, if only one type of property benefits from a cap, interclass differences in tax burdens will also grow.”

Stated more directly, the equity argument made by advocates is that billionaires essentially don’t pay property taxes in NYC and that this is also contributing to problems of affordability for all in New York City.¹³⁴

Most concerning to some advocates is the inconsistencies in property taxes paid by different homeowners, within and between the same categories.¹³⁵ Moreover, TENNY argues that due to these inconsistencies of policy within the tax system:

“the ‘market values’ that the City assigns to real estate are not market values at all. For condos and coops, these values are generated by an antiquated pricing model, which underestimates true property values by as much as 95%. An extreme example is [this \\$100m penthouse](#), the most expensive sale ever in NYC.... [whose] I “market value” is reported as only \$6m.”¹³⁶

¹³¹ <https://law.justia.com/cases/new-york/other-courts/2018/2018-ny-slip-op-33049-u.html>

¹³² <https://www.nydailynews.com/new-york/nyc-property-taxes-favor-rich-white-homeowners-suit-claims-article-1.3089889>

¹³³ <http://fourthplan.org/action/nyc-property-taxes>

¹³⁴ <https://www.citylab.com/equity/2015/05/why-billionaires-dont-pay-property-taxes-in-new-york/389886/>

¹³⁵ <https://cbcny.org/research/new-york-city-property-taxes;>

<https://news.bloombergtax.com/daily-tax-report-state/nyc-property-tax-overhaul-pits-neighbor-against-neighbor>

¹³⁶ http://gothamist.com/2018/10/16/property_tax_commission.php

<http://metrocosm.com/new-york-city-property-values-in-perspective/>

Finally, some proponents may argue that in a booming-market, the property tax caps artificially “constrain revenue growth...particularly if the caps are set lower than needed to provide the desired protection for homeowners’ ability to pay.”¹³⁷

“Proponents might argue that an increase in the caps would eventually yield significant new revenue for the city. Further, by allowing the assessments on more properties to grow proportionately with their market values, intra-class inequities would be lessened. Finally, by allowing the overall level of assessment in Class 1 and in part of Class 2 to grow faster, the interclass inequities in the city’s property tax system would be reduced.”¹³⁸

Who Opposes It; and What Critics Say:

Opponents of this reform may point to the original intent of these caps: to keep the “tax burden on Class 1 properties low in order to promote home ownership.” Additionally, these caps prevent “rapid increases in taxes driven by appreciation in the overall property market that may outstrip the ability of individual owners to pay, particularly those who are retired or on fixed incomes.”

“Opponents might argue that increasing the burden on homeowners would undermine the city’s goals of encouraging home ownership and discouraging the flight of middle-class taxpayers to the suburbs. Other opponents could argue that given the equity and revenue shortcomings of assessment caps they should be eliminated entirely rather than merely raised.”¹³⁹

VACANT RESIDENTIAL LAND TAX

Tax Vacant Residential Land the Same as Commercial Property

Proponents/ Who Supports It; And What Proponents Say:

“Proponents might argue that vacant property could be better utilized, and awarding it preferential treatment further encourages its underdevelopment. The intention of the lower assessment rate, they could argue, is to incentivize development of Class 1 property. Vacant land zoned for residential use that is not being developed for its intended purposes may thus be an unwise policy at a time in which the city is experiencing a shortage of affordable housing. Proponents might further note that the lot size restriction of 2,500 square feet (the median lot size for Class 1 properties with buildings on them in New York City) would not create incentives to develop very small lots, and the city’s zoning laws and land use review process also provide a safeguard against inappropriate development in residential areas.”

¹³⁷ <https://ibo.nyc.ny.us/iboreports/revenue-options-revising-the-property-and-related-taxes.pdf>

¹³⁸ <https://ibo.nyc.ny.us/iboreports/revenue-options-revising-the-property-and-related-taxes.pdf>

¹³⁹ <https://ibo.nyc.ny.us/iboreports/revenue-options-revising-the-property-and-related-taxes.pdf>

RPA: (3) Explore reforms to land valuation and to levy a tax surcharge on vacant land. Taxing vacant land or increasing the tax rate on fully vacant land would discourage warehousing land and instead create an incentive to use the property which could generate revenue for the city. The RPA found approximately 325 million square feet of vacant land throughout the five boroughs valued at nearly \$1.35 billion.¹⁴⁰

Who Opposes It; and what Critics say:

“Opponents might argue that the current tax treatment of vacant land serves to preserve open space in residential areas in a city with far too little open space. Opponents might also argue that zoning policies are less effective at restricting development in residential areas than the preferential tax treatment because the latter is codified in real property tax law. Furthermore, opponents might also point out that the vacant lots have a median land area of 4,000 square feet while the median area of existing Class 1A, 1C, and Class 2 property with at least 2,500 square feet is 10,200 square feet. Thus, many of the vacant residential lots would be too small to develop for housing and would sit vacant even if reclassified.”

PERSONAL INCOME TAX

Tax Increase for High-Income Residents

Proponents/ Who Supports It; And What Proponents Say:

“Proponents might argue that a PIT increase for high-income households would provide a substantial boost to city revenues without affecting the vast majority of city residents. Only 4 percent of all city resident taxpayers in calendar year 2018 would pay more under this proposal, all of whom with adjusted gross incomes above \$250,000. Almost all of the additional tax burden (95 percent) would be borne by the roughly 30,000 taxpayers whose incomes are above \$1 million. Finally, they could claim that there is no evidence that many affluent New Yorkers left the city in response to the 2003-2005 tax increase, even with a larger state income tax increase also enacted at the same time.¹⁴¹

Who Opposes It; and What Critics Say:

“Opponents might argue that New Yorkers are already among the most heavily taxed in the nation and a further increase in their tax burden is now more likely to induce movement out of the city. Tax increases only exacerbate the city’s competitive disadvantage with respect to other areas of the country. Taxpayers who do not pay the federal alternative minimum tax but would be affected by the proposed increase will no longer be able to claim the entire amount of their state and local tax liability as an itemized deduction for the federal tax, so the burden of city tax increase is greater than it would have been in the past. Even if less burdensome than the 2003-2005

¹⁴⁰ <https://www.globest.com/2019/02/15/rpa-report-advocates-taxing-pieds-a-terre/?slreturn=20190328233628>

¹⁴¹ <https://ibo.nyc.ny.us/iboreports/revenue-options-adjusting-the-personal-income-tax-2018.pdf>

increase, city residents earning more than \$5 million would pay, on average, an additional \$69,900 in income taxes in calendar year 2018. With this option, these taxpayers are projected to account for 29 percent of the city's PIT revenue in 2019. If 6 percent of them were to leave the city in response to higher taxes, this option would yield \$213 million less PIT revenue per year (assuming those moving had average tax liabilities for the group)."¹⁴²

RESTRUCTURE PERSONAL INCOME TAX

Restructure Personal Income Tax Rates to Create a More Progressive Tax

Proponents/ Who Supports It; And What Proponents Say:

"Proponents might argue that a progressive restructuring of PIT base rates would simultaneously achieve several desirable outcomes: a lasting increase in city tax revenue, a tax cut for the majority of filers, and a more progressive tax rate structure. Under this restructuring option, about 69 percent of all city resident tax filers would receive a tax cut in calendar year 2018. Only 4.4 percent of all city resident taxpayers (1.4 percent of all filers) in calendar year 2018 would pay more under this proposal, all with adjusted gross incomes above \$350,000. Restructuring would significantly heighten the progressivity of the PIT. Under this option, the difference between the highest and lowest marginal rates increases from 0.8 percentage points to 1.4 percentage points."¹⁴³

Who Opposes It; and What Critics Say:

"Opponents might argue that the principal goal of altering the PIT is to raise revenue, this option is inefficient. For 2018, the reductions in marginal rates in the bottom three tax brackets decrease the revenue-raising potential of the option by about \$276 million. Filers with incomes above \$1 million would see their PIT liabilities rise on average by an estimated \$14,200 in calendar year 2018, and might be spurred to move to a lower tax state, particularly given the new cap on federal deductibility of state and local taxes. If only 10 percent of "average" millionaires (about 3,000 filers) were to leave town, this option would yield \$43 million less in PIT revenue per year, and over time this revenue loss would be further compounded by reductions in other city tax sources."¹⁴⁴

¹⁴² <https://ibo.nyc.ny.us/iboreports/revenue-options-adjusting-the-personal-income-tax-2018.pdf>

¹⁴³ <https://ibo.nyc.ny.us/iboreports/revenue-options-adjusting-the-personal-income-tax-2018.pdf>

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ACKNOWLEDGEMENTS

The Columbia SIPA Capstone team would like to extend our gratitude to our mentors, interviewees, and advisors who made our research possible.

James McIntyre, Director of Capital Markets at New York State Homes and Community Renewal, and Nicole Ferreira, Senior Vice President of Multifamily Finance New York State Homes and Community Renewal, whose advising and expertise guided us throughout this research project.

Suzanne Hollmann, Saleha Awal, and the rest of the Columbia SIPA Capstone Program for their logistical support.

All public housing advocates—in the government, non-profit, and private sectors—for their willingness to participate in our research and share their invaluable perspectives.

And, finally, none of this would have been possible without the ongoing support of NYCHA and, in particular, Deborah Goddard, Executive Vice President for Capital Projects. We are immensely grateful for her leadership and commitment to preserving NYCHA for decades to come.