TESTIMONY BY NYCHA CHAIRMAN TINO HERNANDEZ
CITY COUNCIL EXECUTIVE BUDGET HEARING
SUB-COMMITTEE ON PUBLIC HOUSING
MONDAY, MAY 31, 2007, 10:00 A.M.
250 BROADWAY 14TH FLOOR

Chair Mendez and members of the committee, good morning. I am Tino Hernandez, Chairman of the New York City Housing Authority. Joining me today are Douglas Apple, NYCHA's General Manager, and members of NYCHA's senior management team. We are here to discuss NYCHA's budget for Fiscal Year 2007 and our ongoing efforts to ensure the long-term fiscal stability of the Authority.

As you know, NYCHA manages over 178,000 apartments in 343 developments, providing housing and social services to almost 409,000 low- and moderate-income New Yorkers. NYCHA also administers the nation's largest Section 8 program, assisting nearly 83,000 families and working with more than 29,000 participating landlords.

NYCHA FY 2007 Budget

Yesterday, NYCHA's Board approved a budget for fiscal year 2007. In an era of disinvestment in public housing by the Federal government, NYCHA's 2007 budget is a far-reaching effort to ensure that public housing, as well as Section 8, remains intact as a vital housing resource for 655,000 New Yorkers who receive housing assistance through NYCHA.

The budget provides for expenditures of almost $2.76 billion in operating funding and over $655 million for capital projects. This budget takes actions within NYCHA's control, including some hard choices, to address the realities of sharply diminishing Federal subsidies, limited State aid, and escalating non-discretionary costs to operate public housing.

The budget also continues the commitment made by Mayor Michael R. Bloomberg through the provision by the City of $50 million in operating funds and $100 million in capital funds over the next four years.

The City Council has also shown its commitment to public housing with the $20 million in funding given to NYCHA last year. I would like to thank you again for that needed money.

Plan to Preserve Public Housing

The budget builds upon our "Plan to Preserve Public Housing" (PPPH), which outlined strategic actions to address our structural deficit. The PPPH resulted in a balanced budget in 2006. It included $100 million in funding from the City and the $20 million from the City Council. Additional revenue was generated by a rent increase for 27% of NYCHA households with the highest incomes and some fee increases.

However, the Federal aid expected in the PPPH did not come to fruition and is not assumed in the 2007 budget. It is therefore imperative that we intensify our cost-cutting efforts and find creative ways to increase revenue.

Cost Savings

Between FY 2003 and FY 2006 NYCHA instituted a range of strategies to maximize efficiencies and reduce spending. Those efforts resulted in a cumulative savings of $527 million.

Headcount was reduced by 2,000 positions. Maintenance and operation contracts were cut, overtime and administrative expenses were reduced. Spending on utilities and capital projects was also limited.

While NYCHA significantly reduced spending, funding from Washington and Albany continued to fall short. I will briefly describe those financial realities.

Budget Realities

Overall Federal funding from the U.S. Department of Housing and Urban Development (HUD) has not met national needs in each of the last five years as a result of inadequate appropriations by Congress. For fiscal year 2007, NYCHA expects to receive an estimated $773 million in Federal operating subsidy. This is only 83% of the funding due to the agency under HUD's new reduced funding formula.

On the capital side, Federal assistance was cut from a high of $420 million in 2001 to an estimated $324 million this year, 23% less than what NYCHA received six years ago.

In our 2007 budget, NYCHA will continue to implement service modifications to live within our means. Let me mention some key items in our 2007 budget.

2007 Budget Highlights

NYCHA's 2007 budget includes the following actions:

- Impose partial hiring freeze, excluding some direct service positions;
- Eliminate vacancies;
- Sell surplus land to the City for affordable housing development generating $50 million;
- Transfer $100 million in Federal capital funds to the operating budget for maintenance operations;
- Request New York State meet its obligation and cover costs for 15 unfunded State-built developments. NYCHA requested $62 million and received $3.4 million in the State's FY 2007 budget.

Given the associated risk with NYCHA's aggressive legislative agenda to achieve structural balance, which I will shortly outline, NYCHA has no recourse but to manage within its means.

Therefore, our current budget calls for a reduction of our workforce by 500 positions on October 1 and a thorough review of corresponding services so that we can make decisions about closing the remaining $51 million gap this year.

New York State Efforts

NYCHA will continue to press its case in Albany for funding of the 15 State-built developments. NYCHA is also supporting legislation that has been introduced by State Senator Andrew Lanza and Assemblyman Vito Lopez that will provide NYCHA with the same shelter allowance private landlords receive. Once fully phased in, this could provide NYCHA with $46 million annually in new revenue.

Section 8 Transition Plan

The Authority has submitted an application to HUD seeking permission to transition 8,400 State and City units to the Section 8 Program. NYCHA's application for this initiative is pending and would result in $2.2 million in revenue in FY 2007 and $35.7 million in 2008. Let me now describe other efforts we are pursuing at the federal level.

Federal Efforts

In concert with our Congressional Delegation and other public housing authorities, NYCHA is advocating for an increase in the HUD appropriation so that we may receive 90%, rather than the projected 85%, of our operating subsidy in 2008. This seemingly modest increase would mean $47 million in funding to NYCHA.

Finally, as a long-term solution to our unfunded City- and State-built public housing developments, NYCHA is urging passage of legislation introduced by Senator Charles Schumer and Congresswoman Nydia Velázquez to federalize these units, making them eligible to receive Federal funds. This would yield $54 million in new dollars.

Conclusion

When we released our Plan to Preserve Public Housing I called this a defining moment for public housing in New York City. To ensure the long-term viability of public housing, we must continue to find solutions to achieve structural balance. The plan of action set forth in this budget can be adjusted and mitigated by every new dollar received from the State or Federal governments.

We will continue to work to obtain additional funding. We also rely on and express our deep-felt appreciation for the concerted efforts of our residents, community leaders and other stakeholders, such as the City Council, to bring the case for preserving public housing before our appropriators and regulators.

Together, we can work towards ensuring NYCHA's future as the nation's premier housing authority and the fulfillment of our historic mission.

Let me conclude my remarks here. I am glad to answer any questions you may have.

Testimony by: Agnes Rivera, Member of Community Voices Heard
Given to the Subcommittee on Public Housing
Re: NYCHA's 2007 Budget and Financial Plan
May 31st, 2007

My name is Agnes Rivera, and I am a leader of Community Voices Heard. I've lived in Wagner Houses since 1989. I'm here today to express my regrets at the things NYCHA is being forced to do as a result of its $225 million deficit.

NYCHA's plan to cut 500 jobs and sell off some of its property is truly sad. Not only are 500 jobs being lost, but thousands of public housing residents can now expect even worse services in their developments than already exist.

Much of this blame rests squarely on the shoulders of Governor Spitzer and our elected officials in Albany for forcing NYCHA to make these cuts. CVH and our allies have been to Albany. We met with our elected officials in Albany and warned them that these sorts of cuts would happen if they didn't start funding housing again. But maybe we weren't shouting enough, because here we are with 500 jobs being cut and property being sold. I'm truly sorry that Governor Spitzer did not respect the urgency we've been trying to convey.

I want to thank the City Council and the mayor for giving the $120 million it gave to NYCHA last year. That money helped prevent NYCHA from having to make these cuts sooner. We are grateful for your support in the past, but we need your support now more than ever.

The members of CVH, and the thousands of people that live in public housing, need you to, once again, give $120 million to NYCHA this year to prevent the loss of even more jobs and property that may happen in the future.

CITY EMPLOYEES UNION LOCAL 237

AFFILIATED WITH THE

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

216 WEST 14TH STREET NEW YORK, N.Y. 10011-7296
212-924-2000 • www.local237.org

Oversight Hearing:

NYCHA's 2007 Budget and Financial Plan

Subcommittee on Public Housing

Chairwoman Rosie Mendez

May 31st, 2007

Testimony of Gregory Floyd, President

Local 237, Teamsters

Good morning. My name is Gregory Floyd, and I am the President of Teamsters Local 237. My union is proud to represent nearly two-thirds of NYCHA's workforce, most of which are field and administrative titles that provide direct services to residents living in public housing. However, because of budgetary shortfalls, NYCHA is being forced to lay-off 500 of these important workers. Local 237 thanks Chairwoman Mendez and the Committee, for holding this hearing regarding NYCHA's 2007 Budget and Financial Plan.

For decades, the Housing Authority has been the source of affordable housing for the working class in New York City. Because luxury residential housing is being developed at a rapid pace, there is no greater time to sustain affordable housing for our City's workers. We believe that laying-off 500 employees, who provide vital services to residents, will greatly affect the high standard of service that the Housing Authority currently provides and begin to chip away at the desirability of living in these magnificent working-class facilities.

We realize that NYCHA's large budget gap has backed them into a corner. After requesting $62 million from the State, they ended up with an appropriation of only $3.4 million. And while the Federal government did not reduce funding, they also did not increase it. After performing in-house changes such as reducing overtime, reducing vacant positions and cutting contract spending, NYCHA was able to shrink a $275 million gap to $225 million. But this is not enough to prevent layoffs.

The Mayor has generously appropriated $50 million in his FY '08 Executive Budget, however that is still not enough. Therefore, we are asking for the help of the City Council and *requesting $50 million, which will help avoid these 500 layoffs*. We know that it is late in the Budget and this is a large amount of money, but it is urgently needed.

While a $50 million appropriation from the City Council would help solve the problem in the short term, we also need to think of a more permanent solution. We suggest that the city tap into the value of the enormous amount of redevelopment that the City is undergoing, both residential and commercial. NYCHA has the most extensive stock of affordable housing in the City. This helps maintain a stable workforce. In turn, we believe that the commercial sector has a stake in sustaining their workforce, and therefore has a stake in sustaining affordable housing. Transferring some of that enormous development value to help sustain NYCHA would seem to be a desirable public policy initiative.

Not only do members of Local 237 work for the Housing Authority, but like many other working class residents, they also depend on it for providing their affordable housing. Please do not let these budgetary shortfalls that NYCHA is experiencing affect the jobs of so many hardworking people and the lives of many residents who depend on this affordable housing. Please consider our urgent request for a $50 million allocation to NYCHA.

Thank you for the opportunity to testify. I will answer any questions you may have.

FRIENDS OF THE COURT/
FRIENDS OF PUBLIC HOUSING RESIDENTS
OF THE HARLEM PLATFORM COMMITTEE:
MEMBER OF THE NATIONAL LOW INCOME
HOUSING CONFERENCE

31 May 2007

Hon. Rosie Mendez and all Other Honorable Members
Of the City Council Subcommittee on Housing

Greetings:

Here we go again with another year and another round of deficits concerning the New York City Housing Authority. I will be brief in my comments. First, I would like to thank Councilmember Rosie Mendez for her efforts in not only having these hearings but also her efforts in advocacy by going to Albany with us two months ago to bring the deficit crisis to the Governor's attention. Friends of the Court recently went to Capitol Hill to bring attention to not only the deficit, but the dire circumstances of public and subsidized housing in general. We are pleased with our lobbying efforts on May 15th and we are honored that Rep. Maxine Waters of the Housing Committee and Barney Frank of Appropriations, along with Representatives Olver, Conyers, and Ellison have not only reaffirmed their pledge to preserve subsidized housing with "Rooseveltian" zeal but have entered into a partnership with us in this work. More shall be said of this partnership at a later time.

Let me reiterate as I did in the Governor's office and as I have done so many times at these hearings that NYCHA must become transparent in its fiscal dealings. There must be a forensic audit that will be published for public scrutiny at the City Hall Library. We are also concerned with the misuse of Tenant Participation Funds and the possible fear that this money or the interest thereof is being used to close the deficit. Again we are adamantly opposed to any "Moving to Work" application of NYCHA or any other effort by NYCHA that would result in the misuse of Section 8 vouchers for reasons stated at previous hearings. Just as NYCHA warns us about fraud the minute we open up our Income Verification booklets, we solemnly warn NYCHA not to engage in fraudulent letter writing as was discovered earlier this year in hearings before this counsel. The eyes of Capitol Hill are staring down upon you now.

In closing we hope that with further lobbying and the change in political climate in Washington NYCHA will be able to work its way out of these deficits, but with a cost. NYCHA you owe us- the residents in terms of our rights, empowerment and self determination. We do not live in a penal colony; we are residents and command the same respect for our Constitutional, civil, and human rights.

Sincerely,

Dr. John Derek Yared Andemikal Norvell
Dr. John Derek Yared Andemikal Norvell, CHMN
contact:
2175 Fifth Avenue, Apt #2B
New York, N.Y. 10037
Tel. (212) 368-1908 e mail: jdnorvell.1@netzero.net