

**TESTIMONY BY DEPUTY GENERAL MANAGER FOR FINANCE FELIX LAM
CITY COUNCIL HEARING ON THE SECTION 8 TRANSITION PROGRAM
SUB-COMMITTEE ON PUBLIC HOUSING
FRIDAY, SEPTEMBER 26, 2008, 10:00 AM
CITY COUNCIL HEARING ROOM, 250 BROADWAY, 14TH FLOOR**

CHAIR MENDEZ AND MEMBERS OF THE CITY COUNCIL — GOOD MORNING. I AM FELIX LAM, THE NEW YORK CITY HOUSING AUTHORITY'S (NYCHA'S) DEPUTY GENERAL MANAGER FOR FINANCE. JOINING ME THIS MORNING IS GLORIA FINKELMAN, ASSISTANT DEPUTY GENERAL MANAGER OF OPERATIONS FOR MANAGEMENT, AND SECTION 8 DIRECTOR GREGORY KERN.

WE ARE HERE TO ANNOUNCE HUD'S APPROVAL OF OUR PROPOSAL TO TRANSITION UP TO 8,400 UNITS IN OUR 21 CITY AND STATE BUILT DEVELOPMENTS TO SECTION 8 ASSISTANCE, AND TO DESCRIBE THE IMPLEMENTATION PROCESS AND ITS IMPACT ON NYCHA'S BUDGET.

NYCHA'S SECTION 8 PROGRAM

AS IS WIDELY KNOWN, NYCHA PROVIDES HOUSING AND SOCIAL SERVICES FOR OVER 406,000 NEW YORKERS IN OUR 343 PUBLIC HOUSING DEVELOPMENTS. WE ALSO OVERSEE THE NATION'S LARGEST SECTION 8 PROGRAM THAT SERVES ABOUT 270,000 NEW YORKERS USING ABOUT 90,000 VOUCHERS TO RENT APARTMENTS IN THE PRIVATE HOUSING MARKET. WE HAVE APPROXIMATELY 32,000 PARTICIPATING BUILDING OWNERS.

UNDER SECTION 8, VOUCHER HOLDERS PAY 30% OF THEIR HOUSEHOLD INCOME IN RENT, WHILE THE PROGRAM PAYS THE REMAINDER OF THE REASONABLE RENT APPROVED BY NYCHA UP TO THE LIMITS OF THE FAIR MARKET RENT (FMR) ESTABLISHED FOR NEW YORK CITY BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD). SECTION 8 VOUCHERS ARE PORTABLE AND CAN BE USED ANYWHERE IN THE U.S. OR U.S. TERRITORIES.

**NYCHA'S BUDGET: THE SECTION 8
TRANSITION PLAN**

FOR THE PAST SIX YEARS THE AUTHORITY HAS SEEN A LOSS OF FUNDING FROM THE FEDERAL GOVERNMENT, NOW TOTALING OVER \$611 MILLION. THIS CHRONIC FEDERAL UNDERFUNDING HAS LED TO A \$177 MILLION DEFICIT FOR NYCHA FOR THE 2009 FISCAL YEAR. AS YOU ARE ALSO AWARE, 21 NYCHA DEVELOPMENTS CONSISTING OF OVER 20,000 APARTMENTS THAT WERE BUILT BY THE CITY AND THE STATE DO NOT RECEIVE A SUBSIDY FROM ANY GOVERNMENT SOURCE TO SUPPORT OPERATIONS. THESE DEVELOPMENTS OPERATE AT A DEFICIT OF APPROXIMATELY \$93 MILLION PER YEAR, WHICH REPRESENTS OVER HALF OF OUR BUDGET SHORTFALL. THIS MEANS THAT NYCHA MUST STRETCH ITS ALREADY INADEQUATE FEDERAL OPERATING DOLLARS TO COVER THE COSTS FOR THESE 21 DEVELOPMENTS.

THE PLAN TO PRESERVE PUBLIC HOUSING

TO ADDRESS OUR STRUCTURAL BUDGET DEFICIT, IN 2006, NYCHA CHAIRMAN TINO HERNANDEZ ANNOUNCED A SEVEN-POINT "PLAN TO PRESERVE PUBLIC HOUSING" TO BRING FISCAL STABILITY TO NYCHA AND TO ENSURE THE CONTINUATION OF PUBLIC HOUSING FOR THE FUTURE.

AS PART OF THE PLAN, NYCHA SOUGHT APPROVAL FROM HUD TO TRANSITION UP TO 8,400 UNITS IN OUR 21 CITY/STATE DEVELOPMENTS TO SECTION 8 OVER A THREE YEAR PERIOD. THE APPLICATION PROCESS INCLUDED MEETINGS AT EACH OF THE CITY AND STATE DEVELOPMENTS, AS WELL AS BOROUGH-BASED MEETINGS THROUGH OUR ANNUAL PLAN PROCESS. UNDER THE PROPOSED SECTION 8 VOLUNTARY TRANSITION PROGRAM, SECTION 8 FUNDING WOULD PROVIDE A SOURCE OF PERMANENT REVENUE TO SUPPORT THE OPERATING COSTS OF NOT ONLY THE 8,400 UNITS BUT ALSO THE REMAINING UNITS IN THE CITY/STATE DEVELOPMENTS, ENSURING THEIR PRESERVATION. NYCHA WOULD CONTINUE TO OWN AND OPERATE THE PROPERTIES MAINTAINING THEM AS AFFORDABLE HOUSING FOR LOW-INCOME NEW YORKERS.

HUD APPROVAL AND IMPACT ON BUDGET

I AM PLEASED TO SAY THAT JUST LAST WEEK, HUD GAVE ITS FINAL APPROVAL FOR THE TRANSITION.

THIS IS A MULTI-YEAR EFFORT WHEREBY THE ADDITIONAL REVENUE NYCHA EXPECTS TO RECEIVE WILL COMMENCE IN 2009 AT \$17 MILLION, GROWING TO \$75 MILLION BY 2011 WHEN FULLY IMPLEMENTED. UNITS WILL BE CONVERTED TO SECTION 8 AS THEY BECOME VACANT OR AS CURRENT RESIDENTS VOLUNTEER. THEREFORE IT IS DIFFICULT TO PREDICT TIMING AND THE NUMBER OF UNITS THAT WILL CONVERT IN THE COMING YEARS.

IT IS IMPORTANT TO NOTE THAT OUR FINANCIAL PLAN ALREADY ASSUMES THE APPROVAL OF THIS PROGRAM. THEREFORE ITS IMPLEMENTATION ALLOWS US TO ACHIEVE ALREADY BUDGETED SAVINGS, BUT DOES NOT MITIGATE OUR CURRENT OR FUTURE DEFICITS.

LET ME DESCRIBE HOW NYCHA WILL IMPLEMENT THE SECTION 8 VOLUNTARY TRANSITION PROGRAM.

PROGRAM IMPLEMENTATION

TWO GROUPS OF NEW YORKERS ARE ELIGIBLE FOR THE SECTION 8 VOLUNTARY TRANSITION PROGRAM: 1) INTERESTED SECTION 8 VOUCHER HOLDERS WHO ARE CURRENTLY IN THE HOUSING SEARCH PROCESS, AND 2) RESIDENTS OF THE CITY/STATE DEVELOPMENTS. NYCHA HAS WORKED DILIGENTLY TO KEEP RESIDENTS APPRISED OF THE PLAN AND TO SEEK VOLUNTEERS. SECTION 8 VOUCHERS, UP TO THE HUD APPROVED LEVEL WILL BE ISSUED TO INTERESTED SECTION 8 VOUCHER HOLDERS AND CURRENT RESIDENTS OF CITY OR STATE DEVELOPMENTS ON A FIRST COME, FIRST SERVED BASIS.

IMPLEMENTATION PLAN FOR
CITY/STATE RESIDENTS

STARTING SUMMER 2006, NYCHA STAFF VISITED ALL 21 CITY AND STATE DEVELOPMENTS TO DESCRIBE THE PROPOSAL AND TO EXPLAIN THE AVAILABLE OPTIONS TO RESIDENTS CURRENTLY LIVING IN THESE DEVELOPMENTS. AT THAT TIME, STAFF MADE A COMMITMENT TO RETURN AND NOW THAT WE HAVE FINAL HUD APPROVAL WE ARE CURRENTLY SCHEDULING RETURN VISITS TO REVIEW AND EXPLAIN THE TRANSITION PROGRAM TO RESIDENTS.

PARTICIPATION IN THE PROGRAM IS COMPLETELY VOLUNTARY. A RESIDENT WHO LIVES IN ONE OF THE 21 DEVELOPMENTS HAS A NUMBER OF OPTIONS. THEY CAN:

- REMAIN IN PLACE AS A PUBLIC HOUSING RESIDENT;
- ACCEPT A SECTION 8 VOUCHER AND REMAIN IN THEIR CURRENT APARTMENT (AS LONG AS THEY ARE IN A RIGHT-SIZED UNIT, FOR THE SIZE OF THEIR FAMILY, PURSUANT TO SECTION 8 OCCUPANCY STANDARDS); OR
- TRANSFER AT NYCHA'S EXPENSE TO A FEDERAL DEVELOPMENT, WITH THE HIGHEST RELOCATION PRIORITY, AS A PUBLIC HOUSING RESIDENT IF THEY SO CHOOSE; OR
- ACCEPT A SECTION 8 VOUCHER AND MOVE TO PRIVATE HOUSING IN A NEIGHBORHOOD OF THEIR CHOICE OR ANYWHERE IN THE UNITED STATES OR TERRITORIES.

IMPLEMENTATION PLAN FOR SECTION 8
VOUCHER HOLDERS

EARLY NEXT WEEK NYCHA WILL SEND OUT APPROXIMATELY 18,000 LETTERS TO ALL SECTION 8 VOUCHER HOLDERS WHO ARE ACTIVELY LOOKING FOR AN APARTMENT, OFFERING THEM AN OPPORTUNITY TO REGISTER FOR A CITY/STATE UNIT. WE HAVE SET UP A SPECIAL SECTION ON OUR WEBSITE WHERE THEY CAN REGISTER OR THEY CAN CONTACT US BY TELEPHONE. LET ME CLOSE BY SAYING THE FOLLOWING:

CONCLUSION

IN THE ABSENCE OF ADEQUATE FUNDING TO SUPPORT OPERATIONS, INNOVATIVE EFFORTS TO GENERATE REVENUE SUCH AS THE VOLUNTARY SECTION 8 TRANSITION PROGRAM MUST BE PUT IN PLACE IN ORDER TO PRESERVE PUBLIC HOUSING. HUD'S APPROVAL OF THIS PLAN IS TRULY HISTORIC, REPRESENTING THE FIRST TIME THAT FEDERAL FUNDS HAVE BEEN DEDICATED TO THE CITY AND STATE BUILT DEVELOPMENTS.

AS PART OF OUR ONGOING EFFORTS UNDER THE "PLAN TO PRESERVE PUBLIC HOUSING," NYCHA WILL CONTINUE TO ADVOCATE FOR NEEDED FUNDING FROM ALL LEVELS OF GOVERNMENT TO ENSURE THE LONG TERM PRESERVATION OF THIS INVALUABLE AFFORDABLE HOUSING RESOURCE.

THANK YOU FOR THIS OPPORTUNITY TO TESTIFY. I AM PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Development Name	Program	Borough	Total Apartments	Number of Apartments Targeted for Conversion (Transition)
Bay View	City	Brooklyn	1,610	447
Boulevard	City	Brooklyn	1,441	438
Linden	City	Brooklyn	1,586	442
Marble Hill	City	Bronx	1,682	498
Saint Mary's Park	City	Bronx	1,007	362
Samuel (City)	City	Manhattan	664	347
344 East 28th Street	State	Manhattan	225	107
Amsterdam Addition	State	Manhattan	175	107
Baychester	State	Bronx	441	234
Bushwick	State	Brooklyn	1,220	471
Castle Hill	State	Bronx	2,025	1,097
Chelsea	State	Manhattan	425	179
Drew-Hamilton	State	Manhattan	1,217	525
Independence	State	Brooklyn	744	332
Manhattanville	State	Manhattan	1,272	575
Marlboro	State	Brooklyn	1,765	775
Murphy	State	Bronx	281	201
Rutgers	State	Manhattan	721	277
Stapleton	State	Staten Island	693	471
Williams Plaza	State	Brooklyn	577	315
Wise Towers	State	Manhattan	399	200
Total			20,170	8,400

**Testimony by The Legal Aid Society and the Community Service Society,
before the Sub Committee on Public Housing on The New York City Housing
Authority's Section 8 Conversion Program
September 26, 2008**

Interest and Expertise of the Legal Aid Society and the Community Service Society

The Legal Aid Society is the oldest and largest provider of legal assistance to the poor in the United States. The Society's Civil Practice operates 14 neighborhood offices and city-wide units serving residents of all five boroughs of New York City, providing comprehensive legal assistance in housing, public assistance, and other civil areas of primary concern to low income families and individuals. The Society is counsel on numerous class-action cases concerning the rights of public housing residents and is counsel to the New York City Public Housing Resident Alliance. We work closely with the Community Service Society and Public Housing Residents of the Lower East Side on public housing issues. The New York City Public Housing Resident Alliance seeks to inform and network with residents, so that they can have a strong and effective voice and secure greater accountability in local, state and federal policy decisions that affect public housing in New York City.

The Community Service Society of New York (CSS) is a 160 year-old institution that has been on the cutting edge of public policy innovations to support poor New Yorkers in their quest to be full participants in the civic life of the nation's largest city. CSS employs a variety of tools – advocacy, direct service, research and policy analysis, and strategic partnerships – to forge consensus on appropriate policy interventions to facilitate the economic mobility of low-income New Yorkers. Our legacy includes significant milestones, such as: establishing the prototype for the free school lunch program; serving as the catalyst behind the city's first tenement housing laws; aiding victims of the Titanic maritime disaster and World Trade Center employees

impacted by the terrorist attacks of September 11, 2001; creating the nation's largest senior volunteer program; and developing the curriculum that spawned the Columbia University School of Social Work.

We appreciate the opportunity to testify before the Subcommittee on Public Housing. We have major concerns regarding the Housing Authority's payments to the City of New York, and how these payments continue to drive NYCHA further into debt threatening its mission to provide safe and affordable housing to low-income New Yorkers.

BACKGROUND

When public housing was created seventy (70) years ago, the federal government provided only the capital for construction. Tenant rents were supposed to cover month-to-month operating costs---for labor, fuel, electricity, etc. By the late 1960s, operating costs were rising faster than resident incomes. Resident rents were no longer enough to cover operations. To fill the gap, Washington created operating subsidies. New York State and City followed suit, providing operating subsidies for New York City Housing Authority (NYCHA) developments they built without federal aid. NYCHA receives only 86 percent of what it is estimated to need under the HUD formula for operating subsidies—a shortfall of over \$100 million annually. The federal government's chronic under funding of public housing has been a formidable hurdle for NYCHA. However, the federal government is not the only cause of NYCHA's calamitous budget deficit of \$195 million.

NYC's Failure to Support Developments it Created :

The City of New York created six (6) City developments throughout the five boroughs consisting of more than 6,000 units. NYCHA operates these 6,000 City-financed units which are not eligible for federal operating subsidies. Since 2003, the City has failed to provide adequate

city operating subsidies. These 6,000 units which NYCHA operates with paltry fiscal resources from the City generate an operating deficit of close to \$30 million a year. Due to NYCHA's current budget deficit, the housing authority in an attempt to stem the rising deficit, has begun the voluntary conversion plan.

THE SECTION 8 VOLUNTARY CONVERSION PLAN

On January 9, 2008 NYCHA received a conditional approval from the U.S. Department of Housing and Urban Development ("HUD") to begin its voluntary conversion plan in Brooklyn's Bayview Houses. The plan allows Section 8 recipients to use their voucher in City and State developments. If fully implemented the conversion plan will allow NYCHA to deny 8,400 families access to safe affordable housing, as those open units will only be available to Section 8 recipients. The loss of these 21 City and State developments (consisting of more than 20,000 units) to public housing applicants will be debilitating for low income New Yorkers. Applicant families who have languished for years on NYCHA's waiting list (it is estimated that there are more than 50,000 people on the waiting list) will continue to wait possibly in vain for an available apartment. While thousands of people desperately wait for vacant apartments, units in the City/State developments are left vacant in anticipation of HUD's approval of the conversion plan. Congress originally intended that Section 8 vouchers be used for rent assistance to very-low and low-income families seeking decent housing in the open rental market, not for operational support of existing public housing. This diversion of Section 8 resources lessens the City's capacity to address some of its most urgent housing needs.

In its application to HUD seeking permission to commence the voluntary conversion plan NYCHA alleged that: (1) the development(s) were losing money; (2) the conversion plan would not present harm to the community; and (3) without the assistance of Section 8 vouchers the

development(s) would be unable to function. It is undisputed that the City and State developments are losing money. However the harm that this program will pose to the New York community is substantial. At a time when access to safe affordable housing has been substantially diminished, the loss of NYCHA apartments is crippling.

This conversion plan is not a new idea, rather NYCHA seeks to “re-package” a program which was previously met with staunch opposition. On October 18, 2006 NYCHA first sought approval from HUD to implement the conversion program. NYCHA residents, advocates, and elected officials on every level of government stated loudly and unequivocally that this program would harm New York’s most vulnerable residents and was not an acceptable or productive solution to budgetary woes.

SUGGESTED SOLUTIONS

- (1) Waive P.I.L.O.T payments for City and State developments. This will allow NYCHA to use those funds that it pays to the City on these developments
- (2) Fully fund City developments
- (3) Waive NYCHA payments to the City for police, water, and sanitation. This savings will allow NYCHA to redirect those funds to these developments

CONCLUSION:

Thank you again for the opportunity to testify before the Subcommittee on Public Housing.

Respectfully Submitted:

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