CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON PUBLIC HOUSING

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March 28, 2011
Start: 10:00 am approx
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HELD AT: Council Chambers
City Hall

B E F O R E:
ROSIE MENDEZ
Chairperson

COUNCIL MEMBERS:
Council Member Maria del Carmen Arroyo
Council Member Gales A. Brewer
Council Member Margaret S. Chin
Council Member Erik Martin Dilan
Council Member Daniel J. Halloran III
Council Member Robert Jackson
Council Member Melissa Mark-Viverito
Council Member Diana Reyna
Council Member James G. Van Bramer
Council Member Ruben Wills

A P P E A R A N C E S (CONTINUED)

Rosie Mendez
Opening Statement
Chairperson
Committee on Public Housing

John B. Rhea
Chairman
New York City Housing Authority

Margarita Lopez
Commissioner
Environmental Coordinator
New York City Housing Authority

Felix Lamb
Deputy General Manager for Finance
New York City Housing Authority

Senior Management Team
New York City Housing Authority

Rosie Mendez thanks:
Erik Martin Dilan for helping get full committee status for the Committee on Public Housing
Chairperson
Committee on Public Housing

Brian Clark
Assistant Deputy General Manager of Operations
New York City Housing Authority

Called but did not testify:
Dominqua Sebisti
Maspeth, Queens

Joseph G. Garber
Public Housing Resident

CHAIRPERSON MENDEZ: Good morning. Welcome. Today the Committee on Public Housing will hear from the New York City Housing Authority about how they closed their Fiscal 2010 budget deficit and to discuss their Fiscal 2011 operating and Capital Budgets. This Committee is aware of the fiscal challenges facing NYCHA as it attempts to deal with its annual budget deficits. In order to close previous year budget gaps, NYCHA received revenue from the transition of non-Federal apartments into the Section 8 program, implemented a hiring freeze, and eliminated managerial positions, increased rents of NYCHA residents with the highest household incomes, consolidated 19 community centers and transferred capital funds to the operating budget, just to name a few.

Last year the Authority embarked on an ambitious new mixed financed modernization plan that leveraged Federal stimulus funds in order to Federalize the 21 City and State developments which will go a long way towards helping NYCHA close its structural budget deficit. Despite these measures NYCHA still faces a budget gap in Fiscal 2011 of approximately $149 million.

The purpose of this hearing is to review how the Authority closed its 2010 budget gap and how it will deal with its Fiscal 2011 budget and to further discuss new initiatives the Authority will undertake this year such as funding a backlog of maintenance repairs, a new security system it is attempting to establish at certain developments, and how the Authority has thus far implemented the mixed finance modernization plan.

We would also like to hear how the Authority will deal with potential budget cuts at the Federal level which will have a negative impact on all those new initiatives NYCHA is pursuing this Fiscal Year.

Before we hear from the Authority I just want to let you know that today is a very crazy day. So the Health Committee is having a hearing simultaneously and I have to run up there for a minute. And Maria del Carmen Arroyo chairs that and she also sits on this Committee so she'll be running back. I don't know if Manhattan Delegation and Jimmy sits on Health as well, Manhattan Delegation is having a meeting today. We started some budget negotiations. So some members of this Committee will be running in and out of here. And present at the moment we have Erik Dilan, the Chair of Housing and Buildings to my far right; Margaret Chin from Manhattan, Jimmy Van Bramer from Queens; and Melissa Mark-Viverito from Manhattan. So with that I want to thank everyone for being here today. And there will be an opportunity for public testimony which will follow at the end of NYCHA's testimony and the Council Members questions. And if you want to give public testimony you need fill one of these out with the Sergeant at the back. Thank you everyone. Thank you Mr. Chairman and we look forward to hearing your testimony.

CHAIRMAN JOHN B. RHEA: Thank you Chairwoman Mendez, members of the Committee and to all members of the City Council. It is good to be with you and have an opportunity to discuss the New York City Housing Authority's 5-year Capital Plan. NYCHA will approve its 5-year Operating Budget in time for the Council's hearing in May and we'll present the plan at that time.

I am NYCHA's Chairman John B. Rhea and joining me this morning are Commissioner

Margarita Lopez and Chief Financial Officer Felix Lamb and members of NYCHA's senior management team.

The Capital Plan I will present today reflects both NYCHA's priorities for strengthening New York City communities and our commitment to improving the quality of life for our residents. We meet today at a time of great opportunity in our City but also one of enduring challenges. In such an environment it is important more than ever that we work together to create meaningful change in the lives of New Yorkers who count on us.

Through its new Housing Marketplace Plan and the ambitious PlaNYC, Mayor Michael R. Bloomberg has been unwavering in his dedication to strengthening neighborhoods and increasing the stock of safe, affordable housing in New York through both integrative and innovative community-minded solutions. NYCHA is committed to the Mayor's vision and we are encouraged by his support.

I want to thank the City Council for the key role you have played in helping to preserve public housing communities. As we discussed when I appeared before this Committee in February, the Council has provided $30 million in capital funding for closed circuit television cameras and layered access systems which will go a long way towards making our developments safer places to live.

And the Capital Plan I will discuss today highlights the Council's significant contributions to NYCHA's long term investment in our green and energy agenda as well.

So we meet at a time of great opportunities. By seizing this moment and building upon the substantial work we have already done to preserve our communities, support NYCHA families, and accelerate positive growth in New York City, will certain require us to do even more. As you know one of the greatest challenges facing housing authorities is the preservation of our buildings.

The Authority's commitment to maintain our housing stock in a state of good repair, improve service to residents, invest in energy efficient, cost-effective technology, and comply with all applicable Federal, State and local requirements is being performed in an environment where elected leaders are making difficult and often stark economic choices. In 2011 capital subsidies to public housing are proposed to be cut by 43% nationwide or $1 billion, representing $136 million reduction for NYCHA. This cut is not reflected in the budget I am discussing today but it represents a risk to NYCHA's current Capital Plan.

For 2012, disappointingly, the Federal budget proposed no additional capital funding for our newly Federalized units as well, representing a loss of approximately $11 million. These cuts, unfortunately, come at a time when our communities can least afford them. Independent analysis has determined that public housing communities throughout the United States face a $30 billion need. In 2006 NYCHA's Physical Needs Assessment or PNA identified a 5-year, $7.5 billion need to bring our properties to a state of good repair.

Our approved 5-year Capital Plan provides $2.4 billion in commitments for infrastructure improvements, major modernization, and other systemic upgrades. While significant this is only 1/3 of what we require to fully address the Authority's 5-year infrastructure investment needs and according to analysts, falls a half billion dollars short of what is simply needed to keep pace with regular maintenance, let alone address the backlog.

In other words every year NYCHA is amassing an additional $100 million on its maintenance backlog due to a lack of funding. In the face of Federal shortfalls, we will also experience cuts at the State level. Despite the efforts of some lawmakers, Albany is cutting $32 million from NYCHA's Capital Budget by zeroing out funds it has historically provided by NYCHA's modernization initiatives.

While many of our leaders in government continue to work to address this challenge, the Obama Administration has proposed a set of solutions in the Transforming Rental Assistance or TRA Initiative. While some elements of TRA have drawn controversy, we nevertheless applaud President Barack Obama and HUD Secretary

Shaun Donovan for putting forward a comprehensive plan. And we are still investigating how TRA could impact NYCHA.

In the meantime NYCHA is moving forward. When we met last year I discussed how NYCHA was laying the groundwork for a comprehensive strategy, the Plan to Preserve Public Housing, for fully assessing the Authority's strengths as well as our challenges, organizing NYCHA's assets to support our priorities, and forging partnerships with residents, elected leaders and stakeholders who believe as we do that fostering strong public housing communities is vital to the prosperity of all New York City.

Our progress has been significant but our work is ongoing. As we continue to develop the Plan to Persevere Public Housing, further resident engagement and a strengthened, sustained partnership with elected leaders an advocates is essential. The 5-year Capital Plan I will discuss today provides $261 million for elevator rehabilitation or replacements, $461 million for brick work and roof replacements, $31 million for addressing our maintenance and repair backlog, and $34 million for energy conservation initiatives.

Most importantly this plan will allow us to build upon the achievements we accomplished together in 2010. But make no mistake it is far from sufficient to address the increasingly stark tradeoffs NYCHA must make that will no doubt affect resident living conditions.

Our signature achievement last year was the successful execution of 2 mixed finance transactions involving the 21 developments built by the City and State of New York, better known as Federalization. Made possible by provisions in the 2009 American Reinvestment and Recovery Act, also known as stimulus, Federalization was the result of a partnership between the pubic, nonprofit, and private sectors that brought an infusion of additional funds to rehabilitate NYCHA buildings. In addition to Federalization not only did stimulus provide $423 million to NYCHA for major capital improvements, it also allowed the 21 Federalized developments to become eligible for ongoing Federal operating and capital subsidies.

And through stimulus funding NYCHA's contractors have created or retained the full time equivalent of 775 jobs through the 4th quarter of 2010.

Today I am proud to report that NYCHA has fully obligated every stimulus dollar we received and exceeded the Federal government's 60% expenditure milestone by expending 67% of the stimulus grant as of February 28th, 2011. What's more, all 120 stimulus funded projects will be completed by March 2012 including the 24 construction projects, primarily to address brickwork, roof improvements and general construction and elevator upgrades currently underway at the 21 Federalized developments.

Let me now walk you through a few of the key investments of NYCHA's Capital Plan. First this plan dedicates $31 million to reducing NYCHA's repair and maintenance backlog. $11 million will be applied directly toward addressing our longstanding maintenance and repair needs this year. And an additional $5 million will be allocated per year over the next 4 years. Over time NYCHA has faced a threefold challenge of chronically reduced funding levels, staffing constraints and aging infrastructure, resulting in 298,000 open work order tickets today.

Through a new initiative developed by our operations team, NYCHA is targeting apartments with the most pressing needs or multiple open work tickets to both reduce the time our residents have to wait for repairs and reduce the number of appointments needed to complete repairs. This plan is designed to dramatically decrease our maintenance and repair backlog. The plan has already shown early successes.

I am pleased to report that due to intensive maintenance and repair efforts at Bronx Chester Houses and the Federalized developments of Amsterdam Addition, Castle Hill, Chelsea, Manhattanville, Marble Hill and Rutgers Houses, NYCHA's monthly rate of completion of work orders has increased by nearly 60,000, from 89,000 per month to 148,000 per month over the last 6 months.

Second, we remain committed to providing for our residents' basic wellbeing by ensuring that our elevators operate properly. The Authority has one of the largest elevator fleets in the nation with over 3,300 elevators in its inventory. These elevators perform over 3 million trips per day and more than 1 billion trips each year. As you may remember in 2009, NYCHA launched a comprehensive elevator service and safety plan that called for modernization of 863 elevators in 97 developments over 5 years.

We later revised that plan and added funding to modernize 975 elevators at 108 developments. To date we have awarded contracts for the rehabilitation of 92 elevators at 29 developments. And this plan provides $261 million for the modernization of the remaining 683 elevators at 79 developments, continuing our commitment to ensure a safe and reliable elevator program for our residents.

Third, even as NYCHA invests in critical maintenance and repair, we are committed to ensuring that those investments are energy efficient and cost-effective. The new contracts for NYCHA elevators are designed with gearless AC Hoist motors instead of more traditional geared machines. AC hoist motors are quieter than gears, have a longer life expectancy, save money, and are more energy efficient because they release less heat during operations and use less horsepower.

Last summer Corsi Houses received the Authority's first-ever green roof, replacing a leaking, concrete pedestrian surface with a lightweight multilayered growing medium over roof drainage and waterproofing system. This new surface will reduce local heat gain, dust, smog and noise. It also increases the normal roof life expectancy to over 40 years which decreasing the heating and cooling costs of the building. And we continued our longstanding commitment to replace aging roofs with reflective roofs which also reduce building cooling requirements and overall energy consumption.

Commissioner Lopez has been tireless in her leadership as NYCHA's Environmental Coordinator and this plan includes $34 million to fund a variety of energy initiatives of which $30 million will be used to convert domestic hot water tanks to instantaneous hot water heaters at eligible buildings. Instantaneous hot water heaters provide hot water upon demand, increasing energy efficiency and reducing fuel costs. What's more these funds will leverage more than $250 million of private Capital Planned to be raised with an energy performance contract through the Department of Housing and Urban Development.

Fourth, with the Council's help, NYCHA is fulfilling a longstanding pledge to our residents with the completion of several community centers. Next month we will open the Gerard Carter Community Center in Staten Island, named in honor of the New York City Police Officer who gave his life in the line of duty in 1998. We are also completing work on the South Bronx McKinley Community Center and 13 other centers including Polo Grounds, Richmond Terrace and East Harlem's James Allen Johnson Community Center which are all scheduled to open by the end of 2011.

As I mentioned in my opening, the Council has been a steadfast partner in working with NYCHA to make our communities more secure. And we look forward to continue working with the Council as we assess the recommendations of NYCHA's Safety and Security Task Force and advance our commitment to improve the quality of life for our residents.

Six, NYCHA is working with our partners including the Department of Housing Preservation and Development and the New York City Housing Development Corporation to develop NYCHA's property, generate revenue for the Authority and contribute to the long term growth of New York neighborhoods. One of those joint initiatives is the third and final phase of the Prospect Plaza Redevelopment Project which will be accomplished through a mixed finance transaction and will result in the construction of approximately 350 rental units.

The project will include both public housing and housing affordable to households earning up to 60% of Area Median Income as well as retail space, open space and a community center. NYCHA residents will also receive financial planning and management services. All of the initiatives in this plan resulted from the 3-day community planning workshop that took place last June.

Another is our partnership with HPD to conduct major renovations at Harlem's Randolph Houses through a mixed finance transaction.

Randolph was constructed as 36 5-story old law tenement buildings. The planned renovation would group existing buildings to provide for expanded room and improve light and air circulation while maintaining the historic facades. Reconfiguring Randolph's buildings was considered the best approach as NYCHA is required to maintain the community's existing character under the New York State Historic Preservation Office guidelines for its location. NYCHA has allocated $40 million for this initiative and the remaining funds will be raised through private sources.

Finally NYCHA's Local Law 11 need is $600 million. To partially address this need, we will pursue a second bond issuance of $300 million to accelerate the Authority's modernization program and remediate Local Law 11 violations within NYCHA's portfolio. As you know one area reinforced by our Capital Plan and the work we do with contractors as resident employment and specifically our commitment to Section 3. When I present NYCHA's 5-year Operating Budget in May, I will discuss resident employment in detail but I also want to say a few words today about our efforts to transform how we empower our residents.

For years NYCHA has been challenged with how best to empower our unemployed and underemployed residents given our limited resources and the lack of a dedicated funding stream to provide workforce development services. While nearly half of NYCHA's families are working families, we still have a significant population of our residents, approximately 80,000 across New York City, who are unemployed.

Early in my tenure as Chairman, NYCHA's Board identified expanding economic opportunity to our residents as a core priority. And in August of 2009 we formed the Office of Resident Economic Empowerment and Sustainability, also known as REES, to create an implement a strategy to support this commitment. I am pleased to report that we are already seeing results. The number of NYCHA Section 3 placements has expanded from 41 in 2008 to 265 in 2009 to 613 last year in 2010. And we're working to accelerate that growth.

Another REES initiative, the NYCHA Resident Training Academy, was launched last fall and is a partnership among NYCHA, the Robin Hood Foundation, and some of the best employment trainers in New York City: Nontraditional Employment for Women, Building Works, and Brooklyn Workforce Innovations. We set a first year goal of training up to 150 residents for a minimum of 75 jobs as NYCHA caretakers or for construction-related jobs with NYCHA contractors. To date there are 96 graduates and 83 are currently working. 77 are working at NYCHA as maintenance aides and caretakers, 6 are working with NYCHA contractors.

We are planning to solidify our expansion strategy in the second quarter of 2011 and expand the Academy in its second year. And we have increased our staffing resources by creating 228 new caretaker and maintenance aide positions and our goal is to fill these positions with NYCHA residents.

In short NYCHA is implementing a new strategy that will create more economic opportunities for our residents and for members of their surrounding communities including an empowerment model that will support financial literacy, asset building and business development. We're partnering with community based organizations, sister agencies, philanthropic organizations, community colleges, schools, employers and other key stakeholders to better leverage our resources. And we are working to drive more resources and investment into public housing neighborhoods.

We are in a time of great change as well as great challenges. If we are to succeed in reinvesting in public housing communities, we will need an increased focus on the risk to those assets. Public officials must play an important role in making our needs a budget priority. Particularly given the potential risk we face with the proposed Federal budget cuts. In the Plan to Preserve Public Housing, NYCHA has already begun to develop the strategies that can meet and advance our determination to ensure that the invaluable resource and responsibility of public housing not only endures but that it thrives.

We are committed to forging partnerships that create value, economic, environmental and social for our communities and our residents. We're committed to bringing investment to NYCHA neighborhoods including private and nonprofit capital, through mixed financed transactions which will preserve housing and also create new homes, particularly priorities like senior housing. And we are taking action to empower our residents to be co-owners of the effort to strengthen and secure our communities.

This work will take all of us. NYCHA is grateful to Mayor Bloomberg and to the City Council for standing with our residents but there is much more to be done. As we continue to develop the Plan to Preserve Public Housing and ultimately implement our strategy, we look forward to working with each of you to make public housing and all of New York City stronger, one family at a time. Thank you and I look forward to questions.

CHAIRPERSON MENDEZ: Thank you Mr. Chairman. I'm just going to ask one question now and then I'm going to turn it over to my colleagues and then I'll come back at the end. My first question is this budget that you've presented doesn't take into account the proposed reduction from the Fed and the State. When are we going to see that budget?

CHAIRMAN RHEA: Two things. The second part of it, the State cuts, are embedded in this plan. I referenced a $32 million reduction that the State is zeroing out for modernization money that NYCHA historically received. That is included in the budget which is a big number in and of itself and one that's obviously very troubling.

The larger number, the $1 billion that are being proposed in the current Congressional CR, the Continuing Resolution, would equal a little over $130 million annually for NYCHA. Given the draconian nature of those cuts, again, that's a full 40% reduction in what we receive annually, obviously multiply it over the 5-year period, we're looking at something that's, you know, over $700 million.

We have not included those cuts because they will require us to truly go back to the drawing board as we think about our Capital Plan. It's our hope that those proposed cuts if enacted in the CR, if at all, hopefully they won't be enacted, but if they are enacted in the CR, that they would be 1 year only as the President has in his current budget for the Fiscal Year 2012, numbers that are more historically in line with what we received. And although those are insufficient, they are certainly a heck of a lot better and less draconian than a full 40% cut in our Capital Plan.

We would, obviously, update our Capital Plan as the cuts are implemented if they do come to fruition and that would put us in a position when we come back in May to address the Operating Plan to have updated our Capital Budget to reflect that reality.

CHAIRPERSON MENDEZ: Okay. Council Member Dilan.

COUNCIL MEMBER DILAN: Thank you. Thank you Madam Chair and that was actually the line of questioning I was going to open with. So I'll do some follow-up. I heard you state that this was the House' plan and not the President's plan with the $132 million capital reduction, is that correct?

CHAIRMAN RHEA: That is correct.

COUNCIL MEMBER DILAN: So that

provides some relief, so hopefully there can be a negotiated budget at the Federal level so that your capital cut will be tremendously smaller. I'd imagine there'd still be a capital cut but a significantly smaller one so that it does provide some relief.

Now numbers at that level have to affect your entire agency but how would that cut affect your mixed mod plan specifically?

CHAIRMAN RHEA: Well for example in our plan, I mentioned 2 projects, Prospect Plaza and Randolph, those are just 2 examples of the Authority's model going forward which is to use mixed financing approach to funding rehab, modernization and the construction of new units. In the mixed financing we have to put our Federal capital dollars into the mixed financing plan in addition to what we raise in the private sector.

So the substantial cuts in our funding would clearly have a detrimental impact on not just our rehab program which is desperately behind as I described in terms of our multiyear backlog, but it also would affect our new construction efforts going forward in terms of, you know, new affordable housing. So it will-- given 40%, I mean it will affect every component of our plan. It will not affect projects that we're already committed to--

COUNCIL MEMBER DILAN: [Interposing] I guess what I'm looking for is will it wipe out your plan entirely or I would imagine it would wipe it out entirely and let's hope that we don't get there because I think under your stewardship the mixed mod plan has led to your agency becoming close to in balance including some additional Federal receipts and some budget actions that your agency has had to take. And it'd be disappointing if this cut went through to see you go back to the drawing board and start over. So I just wanted to know--

CHAIRMAN RHEA: [Interposing] Yes. And the short answer--

COUNCIL MEMBER DILAN: --and I think you answered it, yeah.

CHAIRMAN RHEA: --is this plan goes out the window. I mean--

COUNCIL MEMBER DILAN: [Interposing] Okay.

CHAIRMAN RHEA: --you can't have a 40% cut and keep a plan--

COUNCIL MEMBER DILAN: [Interposing] That's what I was--

CHAIRMAN RHEA: --it's just--it doesn't hunt. So, you know, I've articulated in this plan the size of the national shortfall or what that equates to locally, that's without a 40% proposed cut--

COUNCIL MEMBER DILAN: [Interposing] And then--

CHAIRMAN RHEA: --so there's no way to kind of skirt around it. I can't kind of parse it in and out of a couple of projects.

COUNCIL MEMBER DILAN: No I got it. That's the answer I was looking for. I had the feeling that that was the answer and I just wanted to say that that would be tremendously disappointing given the amount of work that this Committee when it was a Subcommittee, then this Committee as a full Committee, has done to kind of bring this agency into balance along with the efforts of yourself and the members of the agency. That would be incredibly frustrating.

Okay so I want to move on to your Local Law 11 needs. And I'll just start generally. And I know that Local Law 11 is something that's under the purview of the Housing and Buildings Committee but it does have a budgetary impact on your agency.

CHAIRMAN RHEA: Yes it does.

COUNCIL MEMBER DILAN: Is there a potential, and maybe we can sit down and discuss offline how maybe some easing to Local Law 11 could provide some relief to your agency, is that?

CHAIRMAN RHEA: That would be a welcome conversation. Obviously in some ways, Local Law 11 is an unfunded mandate to an agency like NYCHA. Having said that we recognize why the law was put in place and we take the law very seriously.

So there are some elements of the law, obviously, with unsafe conditions and then there's the next level which they refer to as SWARM that we've calculated and assessed and put a plan in place to address. And that's why the full Local Law 11 as it currently looks at both unsafe and SWARM, it's roughly $600 million. And we're going to fund $300 million of that through a bond offering because we recognize that the unsafe conditions need to be addressed, obviously, to ensure public safety. And the safety of our residents is first priority.

However some of the Local Law 11 requirements, you know, they force us to put up shedding and a number of other things that, you know, create unsightly conditions in our communities. So we would like to have a conversation that really addresses the safety issue head on while at the same time providing relief where there might be an ability to do so.

COUNCIL MEMBER DILAN: Yeah. I look forward to having that conversation with you and the private sector as well because I believe that is an area that we can look at without, as you say, without watering down the safety standards but maybe provide some financial relief.

So within that plan the second phase of your bonding is about to take place I would imagine next calendar year. What type of projects are eligible in this bond?

CHAIRMAN RHEA: So we would hope to

do that late this calendar year although you're correct, it's quite possible in the work that we're doing with HUD, it's a joint effort, and to get the signoff from HUD and to put the specifics of the bond deal together, that it could be pushed into 2012 calendar year. But it is our goal to try and get it done by the end of this year.

The majority of that work is, you know, traditional brick work, parapet work, and--

COUNCIL MEMBER DILAN: [Interposing] Boiler is included?

CHAIRMAN RHEA: No, no. This is Local Law 11 so this is around, principally around the buildings and any falling particles, debris, things like that. However the boiler work that you referenced or a broader set of energy requirements, I did mention our EPC, our Energy Performance Contract, which we are also working very closely with HUD on. Right now that's being sized around a quarter of a billion dollars but it is a back and forth negotiation with HUD right now in terms of what's in it and what's out of it. We would hope to try and maintain as much of that as possible. But that's the plan. And EPC, Energy

Performance Contract, which is also a large financing to address some of the needs that you were just referencing.

COUNCIL MEMBER DILAN: Yeah. And I just want to state that, you know, I'm very interested in that and I guess without being to parochial, I spoke to you and members of your staff several times about some developments in my issues, in my District, with boiler needs. So I look forward to working with you on that issue.

CHAIRMAN RHEA: I just want to say that we've been, again, pushing very hard with HUD. Commissioner Lopez, Felix Lamb, our CFO who are both here with me today as well as Gia [phonetic] Kelly and others have spent a lot of time trying to get this EPC contract approved. It was larger. It's been reduced in size and scope. We are pushing hard to ensure that actually it comes to fruition sooner than later.

COUNCIL MEMBER DILAN: Okay. And you know, Madam Chair, this will be my last, I guess, line of questioning, you know, I wasn't going to let the opportunity go without discussing City Council capital. Obviously you've come up with a Security and Safety Plan for the developments. We've talked about this at length. But I just want to see if there's any update as to when these projects will be ready to go.

CHAIRMAN RHEA: What I want to emphasize is that we have met with all Council Members. Many of them have agreed and are supportive of the plan which is for a broader, integrated solution of layered access. For those who have agreed to it we are very far down the path of actually putting together detailed budgets and implementation plans for their developments. And we are meeting with them on those detailed implementation plans and having conversations with the community where that's deemed the most prudent path. And then there are number, very few, but there are a number of Council Members who are still assessing whether the layered access plan or the traditional cameras is their preferred approach.

We feel pretty good that we're almost completed with all those conversations. In terms of actual execution we are already moving forward with Mott Haven. We've identified how we want to go to market there in terms of the bidding process. And our plan, again, would be to have Mott Haven up and running by last summer in terms of beginning to implement and install and have it completed by year end. And the way to think about it is we will layer in other ones through the remainder of this calendar year. So as soon as City Council Members sign off on it, we would go out for the bidding and hopefully it would have a similar kind of a 6-month timeframe from bidding to actually beginning to do the construction and completion of the installation.

COUNCIL MEMBER DILAN: Got it. Now your, I guess, your projections on a lot of these projects project that you would be able to complete this layered access plan significantly more affordably than budgeted. What's your plan with the excess funds? Is it to cover more units or do you have another idea of how to use the excess funds?

CHAIRMAN RHEA: [Off mic comment] Yeah. I would like to reserve any projection of excess funds at this time--

COUNCIL MEMBER DILAN:

[Interposing] Okay.

CHAIRMAN RHEA: --for another conversation.

COUNCIL MEMBER DILAN: [Interposing] Okay.

CHAIRMAN RHEA: --you know, we are going into individuals developments have, you know, different numbers associated with them. Some may be higher. We may need to come back to the Council to have a conversation that, you know, there's $100,000 shortfall here, some may be lower, and we have savings that don't necessarily easily move from one project to another just given the way they've been allocated. So I would really like to just put a placeholder there.

COUNCIL MEMBER DILAN: Okay. No, no, I have no problem with that. And I look forward to that conversation when the timing is appropriate.

CHAIRMAN RHEA: Okay.

COUNCIL MEMBER DILAN: I just want to say in closing, Madam Chair, just I'm very happy with the way the agency has directed and guided the stimulus funding plan to make sure that those dollars didn't return back to the Federal government. So I'm very happy for that and want to announce that for the record. And I also want to say that I'm very happy with the environmental leadership in getting these buildings going under the leadership of my former colleague. So with that I'd like to thank you for you time. Thank you Madam Chair.

CHAIRMAN RHEA: Thank you Council Member Dilan.

CHAIRPERSON MENDEZ: Thank you Council Member Dilan. Just, Mr. Chairman, in regard to the security cameras. One of the questions I keep asking and I think for those of us who haven't decided whether to do layered access or not and whether our associations are also happy with that option, we need to know what the expense costs for that layered access is going to be. And so that's something we haven't gotten to date.

CHAIRMAN RHEA: [Off mic comment to him] Yeah, right. So in the proposals that have, as I said, the detailed budgets for each of the layered access implementation is not just the capital cost but also what the ongoing operating requirements would be. And so we have that. And we will make sure that we, if you haven't had it, that it will be part of the detailed conversation about the actual implementation, installation and ongoing support.

CHAIRPERSON MENDEZ: Thank you very much. And I just wanted to say to Chairman Dilan, to take this opportunity to thank you for all of your leadership into helping this Committee become a full Committee. I haven't had the opportunity to do that so I wanted to do that.

The next Council Member is Council Member Margaret Chin.

COUNCIL MEMBER CHIN: Thank you Madam Chair. My question is follow-up with I guess with the camera and the capital money, that you say that City Council has allocated $30 million. My question is that is there going to be $30 million, are we, are the City opposing any cuts in terms of the capital? Does that affect that amount of money?

CHAIRMAN RHEA: The short answer is no. The proposed cuts that all agencies took as a result of capital reductions in the City Plan are currently in NYCHA's plan. So the $30 million is the $30 million and there are no additional projected cuts in that number.

COUNCIL MEMBER CHIN: Okay so but what is the cut that NYCHA is getting?

CHAIRMAN RHEA: I'll let my CFO Felix Lamb explain which cuts we took to our Capital Plan as a result of the City's decisions.

MR. FELIX LAMB: Good morning. Felix Lamb, Deputy General Manager for Finance. The New York City Housing Authority in the City's most current Capital Plan took an approximately 12% reduction to its 5-year plan. There were no reductions made to any City Council funded or other elected official projects. The reductions were taken with respect to Mayoral funds that were in the 5-year plan.

COUNCIL MEMBER CHIN: Can you explain what that will affect? I mean that 12% cut.

MR. LAMB: Yes. Most of the reductions actually we were in a good set of circumstances in some respect because the money that was in the 5-year City funded Capital Plan, most of that money was actually going to be spent at the 21, formerly, 21 City and State developments. And as it happens because of the Federalization plan and the mixed financing plan that took place there with those properties, the modernization work at those properties were fully funded with those funds. And so that created an opportunity for the Housing Authority then to take that 12% reduction without detrimentally impacting to any great extent the modernization needs of those properties. So it was a fortunate set of circumstances in terms of the timing.

And we would have liked to, of course, have held onto that money because we could have done other work.

COUNCIL MEMBER CHIN: Mm-hmm.

MR. LAMB: I know the properties of course but those were the circumstances that faced us at the time.

COUNCIL MEMBER CHIN: Okay. The other question I have is that your 5-year Capital Plan that you laid out in terms of for elevator replacement and brickwork and energy conservation, have you done any kind of analysis in terms of the amount of money that you will be able to save from all these investments in the capital projects? Like in terms of energy conservation, are you projecting like every year how much NYCHA will be able to save and also elevator repairs, you know, how much money you will be able to save in terms of repair? You know, break down like we have now.

MR. LAMB: Yes. With respect to the energy investments that the Housing Authority is making and the funds you see in its Capital Plan, what that's essentially enabling the agency to do is to weather the rate increases that have occurred on the utility side. So the Housing Authority has approximately a half a billion dollars budgeted for utility spending. And the investments that the Housing Authority are making, are returning energy savings back to the Housing Authority, a real savings, in addition to some cost-avoidance savings. And what it's enabling the Housing Authority to do really is to live within its $530 million utility budget.

You know, I'm confident in saying that had it not been for those investments, you would see much more money needing to be spent by the Housing Authority on utilities, year after year, for really reasons that are completely out of its control having to do with rates.

COUNCIL MEMBER CHIN: So do you have like, actually put down the number. I mean just to make a stronger case why--

MR. LAMB: [Interposing] Mm-hmm.

COUNCIL MEMBER CHIN: --why you need the capital dollars that--I mean you could do a projection if you didn't have these capital projects that each year you would be paying X amount of money more.

MR. LAMB: Well to give you an example then, the instantaneous hot water heaters that the Housing Authority has been installing over the past several years, those resulted in an 11% savings for the Housing Authority. And the investments that the Authority's been making in the past have been centered around real cost savings, for instance, at Castle Hill there was a considerable amount spent there, approximately $28 million. And for the past 2 years in a row we've seen a dramatic decrease in fuel consumption there. In fact we've had, in 2010 alone, nearly a 25% reduction in natural gas consumption there 'cause of all the upgrades.

So the weathering the rate increases and then being able to take the savings associated with the initiatives and actually taking those monies and investing them back into the properties has been our focus so that we can continue to do modernization work. We haven't--it hasn't been really a circumstance of going after budget savings, traditional budget savings, it's been a set of circumstances around making sure we can live within our means and paying for the rate increases and freeing up more monies so that we can do more modernization work at the properties that are so sorely needed.

COUNCIL MEMBER CHIN: Okay.

CHAIRMAN RHEA: Just on the Energy Performance Contract that I referenced, a quarter of a billion dollars, that we're proposing to get approval on from HUD, is a financing that basically captures the savings on the energy. So making the investments and those efficiencies that come out of those investments, NYCHA being able to basically cover the cost of all of that capital that went into them plus keep a piece to reduce our operating expenses.

So we will be able to quantify for you very specifically where that quarter of a billion dollars is generating real energy efficient savings and then how those annual savings are being used to repay the capital that we've invested as well as a portion of it reducing our operating budget. So we can share that with the Council as a direct example of how the projected energy savings are being used both on the operating line as well on our capital investment side if that's something that is helpful.

COUNCIL MEMBER CHIN: Yeah. I think so. Thank you.

CHAIRMAN RHEA: Okay.

COUNCIL MEMBER CHIN: Thank you Madam Chair.

CHAIRPERSON MENDEZ: Thank you. We've been joined by Council Member Ruben Wills from Queens and Council Member Melissa Mark-Viverito.

COUNCIL MEMBER MARK-VIVERITO: Thank you Madam Chair. Nice to see you Chairman. You know I'm really disappointed as we've had these conversations over the years, obviously, at the lack of commitment from the State when it comes to our public housing and to see that measly $32 million which really doesn’t cover the needs on the projects that were built by the State and which you are managing that that's being zeroed out is very disappointing, coming from former Secretary of HUD now our Governor Cuomo.

Could you please explain what is the rationale? What has been said as to--I mean not even to show some level of prioritization by giving some money but zeroing it out completely I think is quite ridiculous. If you could just maybe share what the conversations have been and what the rationale is.

CHAIRMAN RHEA: It's incredibly disheartening from NYCHA's point of view.

COUNCIL MEMBER MARK-VIVERITO: Mm-hmm.

CHAIRMAN RHEA: We believe strongly, obviously, the number of residents in

New York City who live and rely on public housing that having some financial commitment from the State is appropriate. The rationale is pretty straightforward. It's the former State developments have now been Federalized therefore we don't have a responsibility to them.

I do want to be clear. That's not a sentiment that is shared by all elected officials in Albany. In fact there was a proposal put forward that was led by the housing leadership in Assemblyman Lopez as well as support is strongly by Assemblyman Silver to ensure that that $32 million remained in the budget for NYCHA. Unfortunately it was not supported broadly and therefore we've been told it will not be included.

We obviously will continue to engage in a conversation about this, irrespective of what happens in this year's budget. We feel strongly, again, given the number of New Yorkers who rely on public housing and the fact that for many, many years the State, you know, egregiously under funded it--

COUNCIL MEMBER MARK-VIVERITO: [Interposing] Neglected its responsibility.

CHAIRMAN RHEA: The State developments, that there should be a strong commitment not only to make up for the past but more importantly to reflect the importance of public housing to the future of New York.

COUNCIL MEMBER MARK-VIVERITO: I agree. And completely agree. And you've mentioned in your testimony about, you know, how--and we, in our briefing papers, it's mentioned how over time the amount that we've been shortchanged by the Federal government because we're not funded at 100% of our need, what would you say has been the historical under funding of the State when it comes to the State developments?

CHAIRMAN RHEA: Well we had estimated, you know, very accurately that in the decade alone we were under funded for the City and State developments to the tune of $1 billion.

COUNCIL MEMBER MARK-VIVERITO: Wow.

CHAIRMAN RHEA: And that the State developments were the lion's share of the City and State developments. So I mean…

COUNCIL MEMBER MARK-VIVERITO: That's unbelievable. And we can't get a $32 million commitment for capital needs. It's unbelievable. But I've been incredibly dumbfounded by some of the decisions that this budget, State budget, has presented. And so the fight continues. The struggle continues on that front.

Now I just want to focus very quickly with regards to one of the aspects of your plan moving forward is engaging with HPD and doing some of the underutilized lots of NYCHA to sell. And I think in 2010 as it was indicated, you know, in the Capital Plan, I believe, it's $5.8 million was generated for sale of 2 lots, one in Manhattan, one in the Bronx. What do you project for 2011? What are the projects in the pipeline? What do you project you're going to raise in revenue for the Authority on land sales transactions--

CHAIRMAN RHEA: [Interposing] Okay so the good news is we have not included any money in the plan for disposition of land, Section 18 disposition. Having said that, anything that we do would be an upside to our plan. But I want to be clear it's not embedded in the plan.

COUNCIL MEMBER MARK-VIVERITO: Oh, so it's not in the projection right now so then anything you do generate will be additional.

CHAIRMAN RHEA: Correct.

COUNCIL MEMBER MARK-VIVERITO: To what you have. Now I know one of the things and I had engaged in conversations with the Authority before prior to you assuming leadership as well that, you know, since land is such a valuable asset and it is one of the, you know, it's a valuable asset you have right now within your portfolio, are all these transactions done as sales or is the Authority going to continue to have, you know, ownership, some ownership interest in these transactions?

CHAIRMAN RHEA: So we're looking at both. And one of the things that we will be sharing with this Committee as well as with broader stakeholders is our, you know, "land use strategy" as part of the Plan to Preserve Public Housing. So we are looking at what we're referring to as, you know, a triple bottom line analysis around disposition of land going forward which is not only the economic impact but the environmental impact as well as the social impact of our decisions around land use.

We've worked hard this past year to be more transparent and collaborative in our conversations with the community about land disposition. We've engaged with Community Boards and others in cases where we hadn't in the past. Obviously that's had, in some cases, pain for us through those conversations but important conversations nonetheless. And we look to expand on how we have those conversations with not just transparency but with direction around what are the variables in which NYCHA's looking at when it makes these decisions. So it won't be just economic but environmental as well as the social impact.

On the economic side, to answer your question, we will be looking at both options for a direct sale and monetization of that and receiving cash. We will be looking at some form of sale "lease back" where we actually, you know, receive, you know, rental streams. And we will be looking at keeping "our land" as an economic component of the deal in order to not only generate revenues for us in the near term but also for us to maintain the upside potentially in any land value increase down the road. That is one of the transaction structures that we're looking at, at a project now that is actually in your District, as you may be aware of, in which we actually would maintain the long term right to the property.

COUNCIL MEMBER MARK-VIVERITO: And that's what I would prefer to see that option. Because I think it just helps with the, you know, long term stability of the Authority when you continue to hold on to the asset that you have and generate some level of revenue stream from that.

Just quickly 'cause I don’t know I was kind of looking at something while you mentioned that, in terms of the 2011, although you have not projected it in your budget, is there some rough projection of what--I mean like how many of these transactions are you engaged in currently that you hope to maybe close by this year. What are you kind of projecting as possible additional revenue for NYCHA in 2011 for these land transactions?

CHAIRMAN RHEA: Yeah. I would--with all due respect I'd prefer not to comment on that--

COUNCIL MEMBER MARK-VIVERITO: [Interposing] Okay.

CHAIRMAN RHEA: --but no secrets, it's just that development is a moving target just in terms of timing. And so, you know, we expect to get one or two transactions done in 2011. But not substantially more than that.

COUNCIL MEMBER MARK-VIVERITO: Okay. One of the last things I would just say, just with regards to that process moving forward and it's great that you're engaging the local community, I know in the case, the particular project in my District, because of obviously living in New York City, living in Manhattan, there's so much around these developments. In Washington Houses for instance there's daycares that are going to be surrounding--and senior centers that are surrounding the land that's going to be developed.

And there's concerns, obviously, of noise and all that stuff and how it's going to impact the surrounding neighborhood. If there was a way that you could embed in your process, creating some sort of a community advisory board, that included the surrounding neighbors, maybe the school representation, you know, Community Board representation, maybe a Council Member representation, and engaging in an ongoing dialog where you could present the work that's being done and get feedback so that it could inform, you know, how to do a construction project that really is, you know, taking into account the concerns of the community and maybe things that you didn't, you know, factor in as you were moving along.

I've done that successfully in other projects in other parts of my District. It's gone very well in terms of engaging in that ongoing dialog. So that might just be something to consider 'cause some concerns have been raised by some of the surrounding programs about how it's going to impact their ability to continue to do what they're doing so--

CHAIRMAN RHEA: [Interposing] Right. And I think it's a great suggestion and we would like to engage--

COUNCIL MEMBER MARK-VIVERITO: [Interposing] Sure.

CHAIRMAN RHEA: --with you on how we might structure that. And I think the Commissioner wants to comment on it as well.

COUNCIL MEMBER MARK-VIVERITO: Sure. Yes.

COMMISSIONER MARGARITA LOPEZ: We have been moving in that direction. And as a matter of fact we’re having a meeting next week I believe with Union Settlement?

COUNCIL MEMBER MARK-VIVERITO: Mm-hmm. That's the organization--

COMMISSIONER LOPEZ: [Interposing] To begin the process.

COUNCIL MEMBER MARK-VIVERITO: Mm-hmm.

COMMISSIONER LOPEZ: We're going to have a comprehensive meeting in order to deal with all of the issues that are of preoccupation to them. NYCHA also is preoccupied to see how we can coordinate the work between all of the affected--

COUNCIL MEMBER MARK-VIVERITO: [Interposing] Yes.

COMMISSIONER LOPEZ: --parties in the area because the construction of the 2nd Avenue subway. Then you're going to hear pretty soon about meetings that are going to be happening.

COUNCIL MEMBER MARK-VIVERITO: Mm-hmm.

COMMISSIONER LOPEZ: with different interested parties at that level.

COUNCIL MEMBER MARK-VIVERITO: Okay.

COMMISSIONER LOPEZ: One is scheduled already. I cannot tell you the date right now because I don't remember. But we can call you and tell you.

COUNCIL MEMBER MARK-VIVERITO: Yeah, definitely I would like to be a part of that. And any additional thoughts that I have about that I'll share but I appreciate that that's being taken into consideration--

COMMISSIONER LOPEZ: [Interposing] And the one that I'm talking about is with Union Settlement--

COUNCIL MEMBER MARK-VIVERITO: [Interposing] Union Settlement. Yes, they've got day care centers and the senior centers--

COMMISSIONER LOPEZ: [Interposing] Exactly.

COUNCIL MEMBER MARK-VIVERITO: --in that area.

COMMISSIONER LOPEZ: Yes. And I think it's happening this week or the week that is coming.

COUNCIL MEMBER MARK-VIVERITO: Perfect. All right. Well thank you very much. Those--

CHAIRMAN RHEA: [Interposing] Thank you.

COUNCIL MEMBER MARK-VIVERITO: --were my questions. Thank you Madam Chair.

CHAIRPERSON MENDEZ: Thank you. Mr. Chairman can you detail for the Committee the exact actions that the Authority took in Fiscal 2010 to close its budget gap, its budget deficit?

CHAIRMAN RHEA: Sure. And I'm going to ask Felix Lamb to comment on that. Thank you.

MR. LAMB: Thank you. The last plan, the last Operating Plan that the Housing

Authority published had projected in it--had a number of measured projected in it to help balance its budget for 2010. That last plan that was passed by the Board last year still had an $18.7 million deficit projected to 2010.

What the Housing Authority did from that point to close 2010 was to, you may recall, transfer some of its most expensive vouchers over to HPD. That deficit was primarily--well it was in the Section 8 program. And as result of the transfer of about 2,000 vouchers, that enabled the Housing Authority to close 2010 with a balanced budget.

CHAIRMAN RHEA: So I just want to reiterate that we went into the year with a balanced budget on the public housing side of the ledger and with a $45 million projected deficit on the Section 8 side of the ledger. The public housing plan obviously came in on budget so there was no deficit there. And throughout the course of 2010 we were able to reduce the $45 million budget shortfall by roughly $25 million from additional funding from HUD and then the balance which Felix referenced from transferring certain vouchers as part of a plan with DHCR and HPD to ensure that the vouchers that had been allocated to existing voucher holders would be honored. And so our Section 8 budget deficit was closed through those 3 actions. But we didn’t have a budget shortfall on the public housing side. Is that clear?

CHAIRPERSON MENDEZ: Yes, thank you. In some of those projections, we were expecting to see an increase in Federal operating subsidies so can you tell us how much that was?

MR. LAMB: Yes. So we were projecting to see, as part of the overall plan for 2010, we were projecting to see an additional $70 million in Federal operating subsidies. In addition there were transfers from capital to operating that we were projecting in our plan of approximately $35 million.

The Authority was able to take advantage of some investment earnings that had taken place in some of the bond surety funds of about $8 million. There were--and then there was the management fee associated with the stimulus which was new money for the Housing Authority for approximately $25 million. So those projects all came to fruition. The one thing I would add to that is that we actually received more Federal operating subsidy than we had anticipated. We had build--

CHAIRPERSON MENDEZ: [Interposing] You received more?

MR. LAMB: Yes.

CHAIRPERSON MENDEZ: Mm-hmm.

MR. LAMB: We had built into our plan 100% proration. We, at the time, were confident that we were going to get 100% funded for that year and that's what the $70 million represented. In fact by the end of the year the Administration had actually funded Housing Authority at 103% so more Federal funds came in than we had anticipated. And although our 2010 books have not been closed yet 'cause they're still being looked at by auditors, I'm confident that by the time the statements come out that the Housing Authority will have a balanced budget for 2010.

CHAIRPERSON MENDEZ: And how much money did the Authority make from selling NYCHA land?

MR. LAMB: $5.8 million was the plan.

CHAIRPERSON MENDEZ: And… [off mic conversation]

CHAIRMAN RHEA: Those were the transactions that closed and were funded in 2010.

CHAIRPERSON MENDEZ: Mm-hmm. For 2011, you were projecting getting about $37 million in Federal operating subsidies.

MR. LAMB: Correct.

CHAIRPERSON MENDEZ: You're still projecting that amount?

MR. LAMB: Yes. That represents approximately a 95% proration. There is, unfortunately, a lot of discussion at the Federal level with respect to what the President's 2012 budget for reductions to Federal operating subsidy. And so we don't know how much we're going to get but the early indications are that what HUD is going to be trying to do in the 2012 budget is to fully fund public housing nationally on the operating side it's approximately $4 billion. And HUD is, in their budget, is about $1 billion short of that number. So there are certainly going to be reductions in next year's Federal budget for public housing.

What's of particular concern to us is it appears to us that HUD is going to be selective with respect to how those budget reductions will be realized which is of concern to us. We would rather, like in years past, when there isn't enough appropriation made, that the formula gets adjusted. And every Housing Authority gets an equitable share of the reduction as per Federal formula. But it appears as if the discussions are headed in a direction where HUD will be selective with respect to which Housing Authorities will bear the brunt of that $1 billion reduction. And that's what has us the most concerned.

CHAIRMAN RHEA: I just want to comment on this a little more. First of all the $1 billion that Felix is referring to now, potentially on the operating side as a reduction, is separate and distinct from the $1 billion that I already spoke about on the capital side. Okay. So this would be separate and in addition to the proposed CR $1 billion cut in capital.

Secondly his point about how those reductions would be achieved are very problematic from NYCHA's standpoint. First of all the $1 billion that "would need to be found in order to make up the gap between the $3 billion new appropriate and the $4 billion required for full funding" is currently being discussed as a rescission of Housing Authorities reserves.

Okay. And so they are looking at the balance sheets of every Housing Authority and saying we've identified reserves on your balance sheet and we're going to reach in, rescind those reserves, and then redistribute that money to Housing Authorities across the country.

Given NYCHA's size and the fact that we have tried to take some prudent financial measures as it relates to reserving for certain requirements such as employees' accrued leave time, money that they have earned and when they retire or leave have the right to demand that the Housing Authority pay them for, we've created an account to reserve for it because it's a liability that we can calculate and know it's coming due at some time in the future. That type of reserve that's on our balance sheet, HUD is looking at and saying those reserves are unneeded and would be recaptured and redistributed to other Housing Authorities across the country.

So not only is it, we believe, bad financial management but it's penalizing Housing Authorities that have tried to put prudent financial measure in place to deal with real liabilities and rewarding those Housing Authorities that have not. So we are in a very direct dialog on this issue. We have expressed not only NYCHA's concern with it but the CLAPHA, the Council of Large Public Housing Authorities, and others have expressed their concern for the proposal to get to the $1 billion as opposed to what's been done historically which is to acknowledge that there's shortfall in funding and to have all Housing Authorities take their pro rata share of that reduction.

CHAIRPERSON MENDEZ: Mr. Chairman, how much money is currently in your reserves and in the previous years? My recollection is that you've dipped into reserves. Can, if I'm wrong please--

CHAIRMAN RHEA: [Interposing] Yeah so I'll have Felix address the specific numbers but we have not dipped into reserves to deal with the current budget, last 2010's budget or the projected budgets going forward.

CHAIRPERSON MENDEZ: In the last five years you've never dipped into reserves?

CHAIRMAN RHEA: No, no, no, I'm sorry.

CHAIRPERSON MENDEZ: Yeah.

CHAIRMAN RHEA: Not--I said last year and in--

CHAIRPERSON MENDEZ: [Interposing] Okay.

CHAIRMAN RHEA: --projected going forward.

CHAIRPERSON MENDEZ: I go back to my ten years as Chair so [laughing].

CHAIRMAN RHEA: Yes.

CHAIRPERSON MENDEZ: Okay, Mr. Lamb?

MR. LAMB: Yes. For--I'll just start off with the current year then I'll go back-

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CHAIRPERSON MENDEZ: [Interposing] Mm-hmm.

MR. LAMB: --in terms of some of the more recent history. For 2010 we're anticipating that the Housing Authority will have approximately $460 million in reserves. That number going back to 2007 was nearly $700 million. And going back further, of course, the numbers were much larger but it's been a steady trend with respect to the Federal budget reductions and the Housing Authority being challenged with trying to mitigate the impacts, the full impact of those Federal reductions on service levels to spend down some of those monies.

CHAIRPERSON MENDEZ: And your reserves, please refresh my recollection, has to be how much percent of your operating--?

MR. LAMB: [Interposing] Right. HUD requires for a Housing Authority to be considered healthy to have at least two months of reserves. And to whether, you know, sudden spikes in spending, whether it has to do with utilities or collective bargaining agreements or as has been the practice in the past to whether short term reductions in Federal subsidies that come late.

So that number for the Housing Authority is about $340 million. So we're anticipating that we'll be at around $460 million for 2010. And as the Chairman was mentioning, the Housing Authority needs to maintain those reserves for prudent, you know, operating purposes, of course, also because the Housing Authority is self-insured for a certain part of its program. So we need to have those kinds of reserves on balance to take care of certain insurance calamities like the September 11th incident that occurred. Had it not been for the reserves of the Housing Authority it would have resulted in a tremendous disruption of service.

CHAIRPERSON MENDEZ: Mr. Rhea, we're having a conversation with the Congressional delegation about the reserves.

CHAIRMAN RHEA: Yes, we are.

CHAIRPERSON MENDEZ: Okay.

CHAIRMAN RHEA: Right. AS well as the Housing Authorities across the country who we're projecting will be the most impacted.

CHAIRPERSON MENDEZ: You said the reserves for 2010 is $460 million and currently for 2011 what do you have in reserves?

MR. LAMB: That would be our starting figure for 2011--

CHAIRPERSON MENDEZ: [Interposing] That's your starting figure.

MR. LAMB: Yes.

CHAIRPERSON MENDEZ: Okay. Can you tell the Committee how much capital funds have been transferred to the operating budget this year? And if you can recap some of the previous years, just so we can get a sense of how it's been for the Authority for the last several years?

MR. LAMB: Yes Councilwoman. In 2010, the Authority transferred approximately $50 million from its capital fund grant to pay for operations. The year before that which would be 2009 the Housing Authority transferred $76 million. The year before that, 2008, the Authority had transferred $20 million.

And the year before that it was back up to $73 million. So as you know, according to Federal regulation, a Housing Authority, any

Housing Authority can take up to a maximum of 20% of its annual grant and use it for operating purposes. So for any one grant the Housing Authority typically the grant size is approximately $320 million or so, so it's in the neighborhood of about $60 million that each year that can be used for operating purposes.

CHAIRMAN RHEA: And in the plan that we've presented we've tried to dramatically reduce that jus reflecting the capital shortfalls that we have already acknowledged. And so the plan roughly has about $15 million a year in it. So substantially reduced from those highs of almost $70 million and even dramatically reduced from last year's $50 million.

CHAIRPERSON MENDEZ: Thank you. Can you give this Committee an update on the status of the Section 8 conversion that's happening in the City and State developments?

MR. LAMB: Yes. The Authority's plan as part of the Federalization of those 21 properties was--the HUD approval required that the Housing Authority continue on its road to convert 8,400 of those approximately 21,000 units to

Section 8. Approximately 2,500 of the units have been converted to Section 8. And the Authority has a, assumes in its financial plan approximately 1,500 units a year would continue to convert to Section 8 over the next 3 to 4 years.

Because of all the uncertainty associated with Federal funding--

CHAIRPERSON MENDEZ: [Interposing] Excuse me, 1,500 per year?

MR. LAMB: Yes Councilwoman.

CHAIRPERSON MENDEZ: The Authority and--

MR. LAMB: [Interposing] Yes, those are our most current plans.

CHAIRPERSON MENDEZ: Okay.

MR. LAMB: Right. Until we get to the 8,400.

CHAIRPERSON MENDEZ: Correct.

MR. LAMB: Yes.

CHAIRPERSON MENDEZ: Okay. And would any--

CHAIRMAN RHEA: [Interposing] I just want to be clear on that though. Those are what I would refer to as the financial projections. We will have another conversation with HUD toward the end of this year about where we are with respect to the voluntary conversion agreement and figure out how best to complete the conversion process. So what we've done here is embedded in what I would almost describe as a glide path through a conversation scenario. But we recognize that that scenario will probably not necessarily reflect reality in terms of how we get there.

CHAIRPERSON MENDEZ: And any delays that you can anticipate in converting those apartments?

MR. LAMB: Well one delay that we're anticipating, I guess, so far is we still don't have a Federal budget done. And so it's still uncertain exactly how much Section 8 funds the Housing Authority is going to get. And what the Housing Authority is reluctant, quite frankly, to have any kind of an aggressive leasing plan until it knows for certain how much Section 8 funds it's going to get because we really don't want to have a repeat of what occurred last year where the Authority, you know, continued to issue vouchers with some uncertainty with respect to how much Federal funding we would get and then there was--

CHAIRPERSON MENDEZ: [Interposing] You're not the only one who doesn't want a repeat--

MR. LAMB: [Interposing] Yes.

CHAIRPERSON MENDEZ: --of last year.

MR. LAMB: Thank you. And there was an unanticipated recapture at the last minute by HUD of Section 8 funds. So we really want to avoid that from ever happening again. And so leasing this calendar year has been very, very slow.

CHAIRMAN RHEA: And in an environment of rescissions and reductions that are anticipated given the current, you know, budget scenario in Washington, we are going to work very hard to be conservative in our assumptions.

CHAIRPERSON MENDEZ: Thank you. We've been joined by Council Member Halloran from Queens. So I'm going to give him the opportunity to ask some questions now.

COUNCIL MEMBER HALLORAN: Thank you Madam Chair. Good morning and thank you all for being here and I apologize for being late, multiple committees today. I just wanted to actually go back to your Capital Plan discussions for the layered access security system. We had a hearing, a preliminary hearing, on this and I raised some questions.

I then followed up with a meeting with one of the representatives of each of the two alternate providers that are out there. One of them is American Security Systems. And after reviewing their proposals, I have submitted a letter to the Committee. And hopefully the Chair will take a look at that and we'll talk about it some more. I'm concerned about the price tag attached to the program. It's $408 million projected. And I understand that other agents, other vendors have said that that number could be cut down to somewhere between $72 and $100 million, using much more advanced technology.

Has NYCHA made a commitment in a particular direction? Are you still willing to discuss alternatives? I know that there's about

$27 million that's already been put in from City Council Members. But before we go spending that if we could, you know, just treble that number and get to a complete system as opposed to looking at the $408 million projection that you're talking about, it seems to me we would get a much better system, much better service. Is there an RFP? Do you project an RFP? Could you give me some insight on it?

CHAIRMAN RHEA: Council Member, unfortunately I don't recognize the numbers that you're quoting. We do not have a $408 million number anywhere in our plan or even in our projections. So I just can't comment on where that number's coming from. I'd be happy to have Brian Clark come up and talk a little bit about what we anticipate to be the full cost of a system across NYCHA-wide, both on the capital and operating side but I don't recognize that number from any of the numbers that we have.

COUNCIL MEMBER HALLORAN: Well I believe the number is an extrapolation. It's extrapolated from the per unit housing unit cost that you gave us for outfitting and the multiplied across the system. That's the baseline I'm using. I know I do this frequently to members of the Administration and it ticks them off that I can actually do math and do these things on the fly but my numbers come from the numbers previously given at the hearing per unit implementation costs that NYCHA gave us.

And then when I did was simply multiply that across the system. But specifically the system that I had an opportunity to view included closed circuit television that had audio, door ajar alarm systems, notification to parents of latchkey kids coming into the house, the ability to have 24/7 recorded monitoring at a remote location, which would put no additional costs on NYCHA in terms of operation, maintenance of supervision of the process, ability to integrate with hard lines into the Police Department for notification, and tracking software that would enable us to determine whether things like loitering were happening without having to hands-on monitor minute to minute through computer systems.

And that estimate came in a $72

million as opposed to what I calculated out to be your numbers which are $408 million. That's before we talk about monitoring and long term maintenance where the numbers become ridiculous because with the monitoring that would be required under the numbers that NYCHA provided us at the last hearing, we would save almost $522 million over 5 years by going with this vendor, outside vendor, who would do the complete monitoring process.

So I would just hope that I'd be happy to copy you with the letter that I provided to the Chair. I'd be happy to provide you with copies of the proposal and the outline that was given to me by American Security Systems but I would hope that when we're talking about spending hundreds of millions of dollars that we do so in a way that looks forward to the 21st Century, makes everyone as safe as possible and gives us and opportunity to really take advantage of the technology that's out there from magnetic locks to the keyless access systems.

CHAIRMAN RHEA: Council Member I can guarantee you that we are taking into consideration the best technology and the most cost effective way to do it. And we are having conversations with multiple vendors with multiple options from platform standpoints. And I don't recognize the numbers and I would be happy to have a conversation with you offline.

COUNCIL MEMBER HALLORAN: I appreciate that very much. Just one other additional line of questions. Looking at the capital funding sources for this year which I believe you pegged at 81% of the total budget and the bond issuance which you pegged at 12%. Looking forward as the austerity measures become more and more tight at the Federal level and the City's inability to raise additional capital locally, what do you project out in the next 5 years in terms of the percentage of your budget which will be Federal and what do you look to recapture in terms of bond issuance going forward over the next 5 years?

MR. LAMB: Yes, Councilman, the current Capital Plan--you're right, the current Capital Plan for the Housing Authority is predominantly funded by the Federal government.

That's how the public housing program is constructed. And as you correctly note, 81% of our current plan comes directly from HUD. As we look at each one of those years in its 5-year plan, the Housing Authority has already reflected in its plan the reductions taken by the City for those projects in the Capital Budget that are City-funded. So that reduction is included in the plan. The other thing that's also included in our plan is that the plan assumes that the Housing Authority will no longer receive State funding.

COUNCIL MEMBER HALLORAN: Mm-hmm.

MR. LAMB: So that's been removed from the plan as well. The bond issuance is a 1-time event for the Housing Authority for 2012, it's in that plan. We don't have any additional bond issuances planned over the next 5 years except for that 1. And that continues to be an opportunity for the Housing Authority to pay for modernization costs.

CHAIRMAN RHEA: What we would expect to have in future plans is a substantial amount of our capital requirements coming from not just the Federal capital subsidies that we're referring to today but also from tax credit equity and from other bond deals. We've talked about our need to do more mixed financing transactions. And so we would expect as we come back in future budget hearings around the Capital Plan that that will begin to actually reflect in our actual budgets.

COUNCIL MEMBER HALLORAN: And with regards to the 12% bond issuance, what is going to be the debt service timetable for that? What is that going to result in--what percentage of the budget will that become as we move forward? And what are we looking at in terms of how that's going to impact your future budgets based on the repayment needs that you will have for issuance of those bonds?

MR. LAMB: Yes. The bond issuance that the Housing Authority has planned in its 5-year plan is we're anticipating proceeds of approximately $300 million. We're anticipating that it be structured similar to our last issuance which was a 15-year structure with an interest rate of approximately 5%. So what that ends up being for the Housing Authority in terms of annual debt service is approximately $22 million a year in annual debt service.

We have in our plan the debt service associated with our last issuance. We also have included in our plan the incremental debt service that would occur as a result of the second issuance. In terms of risks, in terms of what you were alluding to in your last question, the Chairman spoke about the draconian Federal budget cuts that are planned for capital of more than 40%. That would disable, really, the Housing Authority's ability to go out to do any more bond issuances beyond that because it'll get very close to its debt service ceiling.

So the Federal government's clear that Housing Authorities can't incur debt service more than one-third of its annual capital fund grants, that's the debt limit. And with those Federal reductions we get very close to that.

COUNCIL MEMBER HALLORAN: Okay. And that's sort of where I was just trying to understand, looking at the numbers at 12% for this cycle that you've built in and assuming, as you did, a 5% interest over 15 years which comes out to, as you indicated, $22 million, what is the number at which, given the projections from the Federal cuts, which you cannot exceed in that debt service or be in violation of the program guidelines?

MR. LAMB: The actual limit as it stands today with current levels of funding is approximately $100 million. The Authority is currently assuming that this second bond issuance goes through, would be on a pace of about $45 million a year in debt service.

COUNCIL MEMBER HALLORAN: Again, that $100 million, does that anticipate fully the cuts being discussed in Washington or is that at the current level what your projection is. Because I'm trying to understand. My understanding of the Federal discussion is that yes it's 40% in reductions but that's coupled with other cuts. And those will be projecting out over the next 3 or 4 fiscal cycles.

MR. LAMB: Correct.

COUNCIL MEMBER HALLORAN: So will you still be on target with this bond issuance if those other Federal cuts go through, if the project moves forward at the Federal level the way it is and if you incur the second debt--

MR. LAMB: [Interposing] Mm-hmm.

COUNCIL MEMBER HALLORAN: --service?

MR. LAMB: Yes. So…

CHAIRMAN RHEA: With all due respect Council Member, nothing in this plan will be on target if those 43% projected cuts come to fruition. We will have to come back, tear this paper up and start over again. And therefore the bond deal, like everything else--

COUNCIL MEMBER HALLORAN: [Interposing] Will be subject to that.

CHAIRMAN RHEA: Absolutely.

COUNCIL MEMBER HALLORAN: Okay. So it would be fair to say though if what is apparently happening in Washington right this moment and what is being discussed right this moment and what they are anticipating right this moment is not part of your budget equation. So in other words, this budget as it sits here today is absolutely useless, absolutely meaningless if what is projected to happen in Washington happens. You don't have a Plan B contingency budget in front of us right now. You're operating on the presumption that what Washington is telling is going to happen doesn't happen despite the fact that what Albany told us was going to happen did in fact happen.

CHAIRPERSON MENDEZ: Council Member Halloran. Earlier in the hearing and in his testimony the Chairman and the Authority indicated that none of those reductions are in here and that if they do go forward that in May at Executive Budget hearings they will present us with what those changes would be 'cause it would be so extensive that otherwise we might be listening to anything today. So--

CHAIRMAN RHEA: [Interposing] And just to--and thank you Chairwoman, I just want to say one thing for the Council Member's benefit. We're not just sticking our heads in the sand, okay. There are conflicting messages coming from Washington. There's the President's Budget. And there's Congress' CR. Okay. They're in direct conflict with each other. Obviously, you know, we are operating with what we know to be true today. And we are making it very clear that we're beginning to look at should that budget, that draconian version of the budget, come to fruition, how would the Housing Authority pivot to deal with it. And we're just not prepared to discuss that today.

COUNCIL MEMBER HALLORAN: That's fair. I just, again, given the fact that the Governor has managed, despite all--

CHAIRMAN RHEA: [Interposing] Those numbers are in our budget.

COUNCIL MEMBER HALLORAN: Right. He's managed to do it so I've got to imagine that we have to be prepared for the worst from Washington. And certainly public housing is not a place where in New York City we can afford to receive the kind of cuts that Washington is talking about. You mange, perhaps, the best public housing system in the United States and you're doing as much as you can with as little as they give you. I am not criticizing you on that front at all. But I do want to be clear that it appears that we're going to have a very big problem, very shortly.

CHAIRMAN RHEA: We agree with that

and we're again not trying to sugarcoat anything here. The reality is we've tried to articulate that in my prepared remarks as it relates to our needs to work jointly with you to ensure that that doesn't happen 'cause to the extent that it does we have a very, very different conversation.

COUNCIL MEMBER HALLORAN: If in fact that happens, obviously the debt service issue becomes germane. What would the impact of not being able to acquire that debt service, not being able to put the bonds in play, how much of a systemic problem would that create for NYCHA?

CHAIRMAN RHEA: Well substantial in its aggregate but we were specific earlier before you came in discussing the use of proceeds for the planned bond deal which is to address Local Law 11 requirements, many of which are to immediately remediate unsafe conditions.

So again it's not only a real issue around the physical infrastructure and the quality of it but also safety to residents and the long term viability of the buildings. And if the buildings aren't viable people can't live in them. And if people can't live in them, we've got a bigger conversation to have about displacement, homelessness and all the other corresponding impacts.

COUNCIL MEMBER HALLORAN: Thank you very much. Appreciate it. Thank you Madam Chair.

CHAIRPERSON MENDEZ: Thank you Council Member Halloran. We've been joined by Council Member Gale Brewer from Manhattan and Council Member Diana Reyna from Brooklyn and Queens, and the former Chair of this Committee when it was a Subcommittee. Are you ready to ask questions? Okay.

COUNCIL MEMBER REYNA: Thank you so much Madam Chair. How are you Mr. Chairman?

CHAIRMAN RHEA: Very well thank you.

COUNCIL MEMBER REYNA: And Commissioner. I just wanted to take a moment to ask you, I know that you've already gone into the Section 8 conversion program and I've been notified that year to date 2,500 units have been converted. And 1,500 units expected per year to be converted. And you're using--you're cautiously converting because of the Section 8 cuts that have been pulled as far as how many families will continue to receive Section 8 vouchers.

Would you be able to provide us with where, per development, and how many units per development of the 2,500 that have been converted so that we have a monitoring system? I don't know if you have that information available right now considering that there aren't--

CHAIRMAN RHEA: [Interposing] We do not but we have the information--

COUNCIL MEMBER REYNA: [Interposing] Fantastic.

CHAIRMAN RHEA: --we just don't have it with us in this hearing. We will provide it to you ASAP.

COUNCIL MEMBER REYNA: Fantastic. And in reference to your testimony, I understand Albany, right now, has a handshake deal concerning the budget. The $32 million that NYCHA's Capital Budget is going to suffer despite all the efforts to deal with the modernization initiatives, do you right now have a sense of what projects will be affected because of this cut?

CHAIRMAN RHEA: The short answer is

there are projects that we've taken out of this budget, you know--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --as a result of the lack of funds that we were projecting to have in the budget. The specific ones, we could get you a list if that's helpful.

COUNCIL MEMBER REYNA: That would be, just to be clear, $32 million out of--a deficit of $32 million leaves you with how much money to work with in your efforts to modernize?

CHAIRMAN RHEA: Right. So the reason why I was being a big vague is--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --the $32 million is just a, you know, just another death by 1,000 paper cuts. And, you know, some people would say well wait a minute, NYCHA's got a multibillion Capital Budget--

COUNCIL MEMBER REYNA: [Interposing] Right.

CHAIRMAN RHEA: --is $32 million

real a big deal. Well it's $32 million, you know, added to a prorated under funded Capital Budget that we described as being $500 million--

COUNCIL MEMBER REYNA: [Interposing] Correct.

CHAIRMAN RHEA: --short, just on state of good repair alone.

COUNCIL MEMBER REYNA: Correct.

CHAIRMAN RHEA: And it's almost $5 billion short in terms of unmet backlogs. So it's just $32 million on top--

COUNCIL MEMBER REYNA: [Interposing] Everything else.

CHAIRMAN RHEA: --already, you know, so when you ask me, you know, which project was taken out, I mean we can give you the specific projects--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --but the reality is, you know, if it's another elevator project, it's, you know, five roof jobs, it's--

COUNCIL MEMBER REYNA: [Interposing] Right.

CHAIRMAN RHEA: I mean I can--

COUNCIL MEMBER REYNA: [Interposing] Right. And, you know, for the sake of just expressing to you as far as members of the Council are concerned and where there's developments that were slated as part of the modernization initiative, it's helpful for us to communicate to our constituencies who had already expected a lot of this--

CHAIRMAN RHEA: [Interposing] Right.

COUNCIL MEMBER REYNA: --work to get done and now because of these delays due to cuts will add just unnecessary stressors on both our parts but nevertheless constituents have to be kept up to date on current information. And so we want to be able to have the most--

CHAIRMAN RHEA: [Interposing] We can provide that. We can provide that absolutely.

COUNCIL MEMBER REYNA: Thank you I appreciate that. And in your 5-year Capital Plan, in your testimony on page 4, you mentioned $261 million for elevator rehab or replacements, $461 million brickwork and roof replacements, $31 million addressing our maintenance and repair backlog and $34 million for energy conservation initiatives, all of which are intact as far as the dollar value to date?

CHAIRMAN RHEA: Yes.

COUNCIL MEMBER REYNA: And I wanted to just understand what is the dollar value for MWBE contracts whether it's prime and/or sub prime, subcontracts, I apologize.

CHAIRMAN RHEA: We're going to have to get back to you on that. What I will tell you is there's no projection in our 5-year plan, right, we don't project out how much will be MWBE contracts. What I can tell you is that NYCHA is running somewhere close to 20% over the past, you know, 12 to 24 months in terms of what's been going to MWBE as part of our capital projects plan.

And we've been meeting very similar numbers as it relates to our Federalization and our stimulus initiatives. The second thing I want to tell you is that we just, at my direction and support of the Board, stepped up our efforts around minority, women and small business initiatives. And we hired for the very first time someone who is in charge of supplier diversity.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: And the goal is obviously for this Department to put together a strategic plan for how we're going to achieve equity in our supplier diversity strategy, to actually develop strong relationships with regional supplier diversity councils like New York and New Jersey and within the Tri-State area, and to do development of small women owned and minority owned businesses to ensure that they are having greater participation in NYCHA's, not just our capital programs where we've had historical success, but also are achieving success in our other forms of our spend.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: You know, including our technology spend and other types of--

COUNCIL MEMBER REYNA: [Interposing] Areas.

CHAIRMAN RHEA: --areas.

COUNCIL MEMBER REYNA: Goods and services.

CHAIRMAN RHEA: Goods and services. So we, for the first time, put in place a very large concerted effort that is proactive as opposed to just, you know, looking at doing greater outreach to get more people bidding on our projects--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --the people on the development side to help do some, you know, work to ensure people are partnering, where they could be more competitive--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --and to look across all of our spending categories.

COUNCIL MEMBER REYNA: And so this individual will be monitoring the whole supplier diversity on goods and services--

CHAIRMAN RHEA: [Interposing] We'll be creating the initiative, then the strategic plan around it--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --putting metrics and goals in place--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --and then monitoring how well we're achieving against those opportunities--

COUNCIL MEMBER REYNA: [Interposing] And this person's name? Is?

CHAIRMAN RHEA: It's well as I know it. You would catch me on the spot. We just hired her and I apologize profusely to not be able to--

COUNCIL MEMBER REYNA: [Interposing] So you can make that up by introducing us.

CHAIRMAN RHEA: I absolutely will.

COUNCIL MEMBER REYNA: As the Chair of Small Business I have a huge interest--

CHAIRMAN RHEA: [Interposing] Absolute.

COUNCIL MEMBER REYNA: --in this area. And I just want to make sure that this individual is going to be, correct me if I'm wrong, reporting straight to you?

CHAIRMAN RHEA: No. Reporting to--no I would know her name--

COUNCIL MEMBER REYNA: [Interposing] Okay.

CHAIRMAN RHEA: --if she was reporting straight to me but I want you to know that I interviewed her. I signed off on it. She's a direct result of a targeted--

COUNCIL MEMBER REYNA: [Interposing]

CHAIRMAN RHEA: --search process.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: She's coming to us from New Jersey--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --where she's been in this business for over ten years.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: In the public utility sector where they achieved very strong success. And she will be reporting to Celeste

Segure who runs our DEO, you know, Department of Equal Employment. And so that's where it's housed within NYCHA today. Oh, Rashia Mason, sorry. Thank you.

COUNCIL MEMBER REYNA: Rashia?

CHAIRMAN RHEA: Yes. R-A-S-H-I-A Mason, M-A-S-O-N, Rashia.

COUNCIL MEMBER REYNA: And, you know, as far as Rashia Mason is concerned, I just want to make sure that when ensuring the rank and file communication of the development of this particular unit and making sure that we're developing a, you know, the strategy that you say you are reporting to us that it comes to fruition so that, you know, it's important that I don’t know if you're going to be monitoring through Celeste, Rashia Mason's work but--

CHAIRMAN RHEA: [Interposing] I will be personally--I just want to be clear.

COUNCIL MEMBER REYNA: Okay.

CHAIRMAN RHEA: There are two things. Number one I have nothing but 100% confidence--

COUNCIL MEMBER REYNA:

[Interposing] Mm-hmm.

CHAIRMAN RHEA: --in Celeste Segure and her team to--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --to ensure that Rashia is successful.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: In what she's doing. Okay. Which is why it's housed where it is.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: She's an Assistant Director so--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --she's a senior person in our organization in terms of Rashia, the level she's coming in at. She will be working directly with the Board--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --as we put a supplier strategy, diversity strategy in place.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: This is something I thought we could put a lot more emphasis and rigor around--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --in terms of best in class approaches from both the public and the private sector.

COUNCIL MEMBER REYNA: Right.

CHAIRMAN RHEA: I told you we did a real national search. The finalist was Rashia from New Jersey and another gentleman from Atlanta.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: Rashia has over 12 years in this area in both large capital projects as well as IT. So again we think we've got, you know, a real performer here who can help bring the best in class into NYCHA. And I will be personally engaged around this as well my fellow Board members.

COUNCIL MEMBER REYNA: Fabulous. And, you know, as far as the Section 3 program is concerned, I mentioned all these figures but just to narrow it to specific targets, in your 4th quarter, page 5, you mentioned NYCHA's contractors have created or retained the full time equivalent of 775 jobs through the 4th quarter of 2010.

CHAIRMAN RHEA: Mm-hmm.

COUNCIL MEMBER REYNA: How many of these 775 jobs were Section 3 jobs?

CHAIRMAN RHEA: The majority of those are Section 3 jobs. These are--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --with our contractors, right?

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: So these would quality as fulfilling Section 3 requirements.

COUNCIL MEMBER REYNA: Okay. I didn't mention Section 3 so that's why I was asking whether or not they were Section 3 jobs. And I wanted to just understand in relation to the stimulus, you know, congratulations on meeting, you know, a good majority of the funding to being spent on projects under NYCHA's portfolio of $423 million. I also wanted to find out, you know, MWBE prime contracts and subcontracts.

CHAIRMAN RHEA: Mm-hmm.

COUNCIL MEMBER REYNA: But also the Section 3 employment goals that have been met and those that we're waiting to meet.

COMMISSIONER LOPEZ: Under this Board, is a very strong commitment to fulfill that ideal that all of you have. At this moment we don't have the specific information here but--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

COMMISSIONER LOPEZ: --we will be more than glad to provide you.

COUNCIL MEMBER REYNA: Mm-hmm.

COMMISSIONER LOPEZ: With detailed information on how much we have increased the hiring under the Section 3 compared to the past.

COUNCIL MEMBER REYNA: Right.

COMMISSIONER LOPEZ: If you look at the testimony of the Chairman, in the beginning of the Chairman, he indicated a substantial change from 41 persons at a given moment to 200, 600 and those numbers continue to increase and will continue to increase. There should be no doubt in your mind that this Board is completely committed to make Section 3 work.

COUNCIL MEMBER REYNA: Well I asked Commissioner Lopez because we have residents of developments that actual work, scaffolding has gone up, you know, so there's a visible understanding that there is work to be one or is being done and so people are asking, you know, when are they hiring us to get this type of work and so--

COMMISSIONER LOPEZ: [Interposing] Well let me, let me--

COUNCIL MEMBER REYNA: --I want to understand by development--

COMMISSIONER LOPEZ: [Interposing] Let me

COUNCIL MEMBER REYNA: --I wanted three goals.

COMMISSIONER LOPEZ: Let me indicate the following thing to you. One of the things that has been done under the leadership of this Chairman--

COUNCIL MEMBER REYNA:

[Interposing] Mm-hmm.

COMMISSIONER LOPEZ: --is that we changed the way that we were organizing that process.

COUNCIL MEMBER REYNA: Mm-hmm.

COMMISSIONER LOPEZ: We have the Leadership Academy. We have a training system. And we've reorganized the unit that manages the training for--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

COMMISSIONER LOPEZ: --the persons to come through and be able to be employed.

COUNCIL MEMBER REYNA: Mm-hmm.

COMMISSIONER LOPEZ: It's very important that everybody take advantage of that reorganization.

COUNCIL MEMBER REYNA: Mm-hmm.

COMMISSIONER LOPEZ: Because through that reorganization, people are funneled to the jobs that are coming.

COUNCIL MEMBER REYNA: Right.

COMMISSIONER LOPEZ: If our people in the developments that you're--

COUNCIL MEMBER REYNA: [Interposing] Right.

COMMISSIONER LOPEZ: --talking about, it will be important for that department to be contacted for them to go there and begin recruiting the people before the jobs are there.

COUNCIL MEMBER REYNA: Mm-hmm.

COMMISSIONER LOPEZ: It's very important for us to do it in advance and not wait until the job got there--

COUNCIL MEMBER REYNA: [Interposing] I certainly agree. And so the only people who would identify when that work would come into the pipeline would be NYCHA. And I would be happy to work with NYCHA to identify date and time that we can start training and make sure--

COMMISSIONER LOPEZ: [Interposing] But we need to do it before. Even before when the work is coming--

COUNCIL MEMBER REYNA: [Interposing] I agree.

COMMISSIONER LOPEZ: Then I think--

COUNCIL MEMBER REYNA:

[Interposing] So I need to see the results of that.

COMMISSIONER LOPEZ: And I think it would be advisable that a meeting with Ms. Pinnock--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

COMMISSIONER LOPEZ: --be put together between--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

COMMISSIONER LOPEZ: --you and her to begin projecting meetings in those developments.

COUNCIL MEMBER REYNA: I have reached out.

COMMISSIONER LOPEZ: Before. Then I will make sure that you be contacted.

COUNCIL MEMBER REYNA: Mm-hmm.

COMMISSIONER LOPEZ: And you're going to receive that call this afternoon.

COUNCIL MEMBER REYNA: Mm-hmm.

COMMISSIONER LOPEZ: To make sure that we begin moving forward with the reaching out to the residents that you are concerned, okay--?

CHAIRMAN RHEA: [Interposing] Yeah. And let me just--

COUNCIL MEMBER REYNA: [Interposing] Thank you.

CHAIRMAN RHEA: --to clarify the numbers. As I said the lion's share, not every single one of them, the lion's share of those 700 jobs--

COUNCIL MEMBER REYNA: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --that were referenced were Section 3. Last year in 2010, 613 jobs were Section 3.

COUNCIL MEMBER REYNA: Of the 775.

CHAIRMAN RHEA: 613--the numbers are measured a little differently--

COUNCIL MEMBER REYNA: [Interposing] Okay.

CHAIRMAN RHEA: --so let me just give you, it's 613 Section 3 jobs last year.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: And of that 489 Section 3 jobs were directly related to stimulus.

COUNCIL MEMBER REYNA: Mm-hmm.

CHAIRMAN RHEA: Projects. Okay? So 613 in total, of which almost 500 were directly related to stimulus funding.

COUNCIL MEMBER REYNA: Excellent.

CHAIRMAN RHEA: Okay?

COMMISSIONER LOPEZ: And you will receive a call this afternoon on your office--

COUNCIL MEMBER REYNA: [Interposing] I appreciate it, thank you Commissioner. And I wanted to just end, Madam Chair, in my District we still have what was considered to be parts of the points of agreement in the 2005 Greenpoint Williamsburg Rezoning. And Chairman Rhea I wanted to thank you for hosting a meeting at Cooper Park to deal with that outstanding matter. We still have to follow up on the matter of affordable housing being built on the grounds of Cooper Park. The Residents Council has approached you with a proposal. And we have to engage Albany in this process.

I don't know if there has been any recent updates but we want to just reengage and understand what timeline needs to be put into perspective in order to reach certain goals in time and start setting forth a strategic plan. And HPD claims, you know, they have to wait for you. And you guys have to work with HPD. And so we just want to get everyone in the same room to start continuing those conversations that you had already been so amendable to.

CHAIRMAN RHEA: Okay. We will take the lead to work with HPD and your office to arrange a follow-up meeting.

COUNCIL MEMBER REYNA: Thank you very much.

CHAIRPERSON MENDEZ: I'd like to just ask a follow-up to that before I call on Council Member Brewer. You said 489 jobs from the 613 came from the stimulus funding. How much stimulus funding did you actually get last year?

CHAIRMAN RHEA: The $423 million.

CHAIRPERSON MENDEZ: You got $423 million.

CHAIRMAN RHEA: Correct.

CHAIRPERSON MENDEZ: And it created 489 jobs--

COMMISSIONER LOPEZ: [Interposing]

No, no--

CHAIRMAN RHEA: [Interposing] No, it created more--

COMMISSIONER LOPEZ: --mm-hmm.

CHAIRMAN RHEA: --jobs than that but those were the ones that went to residents.

CHAIRPERSON MENDEZ: Oh those are the ones--okay. All right. And--

CHAIRMAN RHEA: [Interposing] It was the Section 3, just the resident component.

CHAIRPERSON MENDEZ: Okay. And the 2009 number for stimulus funding?

CHAIRMAN RHEA: Well, now, the stimulus funding we began to obligate the money--

CHAIRPERSON MENDEZ: [Interposing] In 2009. And then you didn't get the funding--

CHAIRMAN RHEA: [Interposing] We didn't--

CHAIRPERSON MENDEZ: --until 2010.

CHAIRMAN RHEA: --get to spend it until '10.

CHAIRPERSON MENDEZ: Thank you.

CHAIRMAN RHEA: Okay.

CHAIRPERSON MENDEZ: Okay. I'm

going to do another follow-up because Council Member Reyna started to talk about the elevators. If you can for this Committee talk us through and you do a good job here in your written testimony but this Committee, some years back, before your tenure Mr. Chairman, presented to the Committee that it was transferring $100 million from capital to deal with the elevator problems that were resulting at that time.

Can you talk us through this $261 million and where the $100 million is at and just tell us if the $100 million has been used already and if the additional--that's page 6 of your testimony is where you go into the elevator testimony?

CHAIRMAN RHEA: Correct. The 2011, let me make sure I get these numbers right here… The 2011 plan… I think these numbers--hold on one second, give me… [pause] Right. So the way the numbers break out over the 5-year plan of $260 million that I referenced is $86 million in 2011; $33 million in 2012; $30 million in 2013; $39 million in 2014; and then the balance which is $70 million in 2015.

CHAIRPERSON MENDEZ: I'm sorry. Can you repeat the last? $20 million in 2013, $29 million in--

CHAIRMAN RHEA: [Interposing] No, no. No, no, no. $30 million in 2013.

CHAIRPERSON MENDEZ: Okay.

CHAIRMAN RHEA: $30 million in 2013--

CHAIRPERSON MENDEZ: [Interposing] Okay. Let me go back. $86 million in 2011, $23 million in '12--

CHAIRMAN RHEA: [Interposing] $33 million, I'm sorry, $33--

CHAIRPERSON MENDEZ: [Interposing] $33 million.

CHAIRMAN RHEA: --million in 2012.

CHAIRPERSON MENDEZ: And then $30 million in 2013?

CHAIRMAN RHEA: Correct.

CHAIRPERSON MENDEZ: And $29 million in 2014?

CHAIRMAN RHEA: $39 million. It's roughly $40 million; just call it $40 million. It's $39.9 million--

CHAIRPERSON MENDEZ: [Interposing] Okay.

CHAIRMAN RHEA: --so it's $40 million.

CHAIRPERSON MENDEZ: Okay. And--

CHAIRMAN RHEA: [Interposing] And it's $70 million in 2015.

CHAIRPERSON MENDEZ: And that adds up to? I'm not going to do the math here.

CHAIRMAN RHEA: $260 million.

CHAIRPERSON MENDEZ: $260 million. Okay. Does that include the $100 million that the Authority had set aside several years ago?

CHAIRMAN RHEA: Some of that is rolled over, about $44 million of it; the rest should have been spent.

[Off mic comments]

MS. MOLINA: Can you speak into the mic, please?

CHAIRPERSON MENDEZ: And please identify yourself for the record.

MR. BRIAN CLARK: Yes, good morning, Brian Clark, Assistant Deputy General Manager of Operations. You know, back in, you know, 2009, 2008/2009, when we made the commitment of improving elevator, you know, safety, there was an initial, you know, the $100 million to, you know, to increase our program. It was a combination of capital funding and not increasing our operating budget.

Then we had the good fortune of the stimulus funding as well coming in and we were able to do more elevator jobs. So that $100 million would be, you know, within work that was, you know, within those 29 developments where we currently have work as well as within our commitment to increase our operating budget in elevators.

CHAIRPERSON MENDEZ: Thank you very much. Council Member Brewer, followed by Council Member Chin.

COUNCIL MEMBER BREWER: Thank you very much. We are at a Manhattan Delegation so I'm sorry but we were not here earlier dealing with budget. I also want to thank you for Fashion Week and I want to thank you, the residents at Harborview love that contractor who's putting in the windows. I don't know who it is but I would use that contractor for everything. Because they seem to talk to people with respect and it's like a new world. So whoever that contractor is, make sure they win all the RFPs.

CHAIRMAN RHEA: We can't do that Council Member.

COUNCIL MEMBER BREWER: I know you can't but I'm just telling you find a way 'cause they love them. You'd have a lot less problems, many fewer problems.

But with Harborview, I'm obviously not--I never liked that project that was going to take place there as you may or may not know but your staff knows, is that still existing? There was to be this private sector partnership. It was a horrible project.

CHAIRMAN RHEA: Well currently there's no funding in either NYCHA's budget or in HPD's budget for Harborview.

COUNCIL MEMBER BREWER: Great. In terms of the new project. Their windows are being done--

CHAIRMAN RHEA: [Interposing] Yeah, I know. In terms of the development--

COUNCIL MEMBER BREWER: [Interposing] Taking away the basketball and taking away the open space and all that's gone away.

CHAIRMAN RHEA: There's no funding.

COUNCIL MEMBER BREWER: Okay. Good. That's good news.

Number two is bedbugs. We have a lot of them. Do you have extra funding? I know that the Speaker and I wrote to Washington trying to get more money for NYCHA and pest management. I'm wondering what your budget is for pest management. Is it going to go up? Is it staying the same? How are you going to deal with these bedbugs?

CHAIRMAN RHEA: We do not have any additional funding from third party sources for extermination of bedbugs. [Off mic discussion] However--

COUNCIL MEMBER BREWER: [Interposing] I have a suggestion--

CHAIRMAN RHEA: --however--

COUNCIL MEMBER BREWER: --Mr. Chairman.

CHAIRMAN RHEA: And I'll take it. I do just want to say I had mentioned earlier in my official testimony the partnership that we put in place with Robin Hood around training residents for jobs within NYCHA. The next leg of that, we're looking at creating exterminating programs that would train residents to be licensed exterminators. And we would hire them directly to work in NYCHA developments, not just to deal with the bedbug infestation but obviously extermination more broadly.

And obviously they would also then have that skill to use in the private market. However that's the only--that's funding that we're working through our Office of Public/Private Partnerships to identify, to bring to the table, to train residents. But there's no actual dollars being provided to NYCHA then to actually remediate and do the extermination. So back to my original answer to your question, we have not identified any new money for what is an increasingly troubling epidemic.

COUNCIL MEMBER BREWER: And here's my suggestion. IF you change your pet policy we can get a lot of Roscoes and take care of the bedbug problem.

[Chuckling]

COUNCIL MEMBER BREWER: Well they don't take care of it, what they do is identify it.

CHAIRPERSON MENDEZ: Well.

COUNCIL MEMBER BREWER: I've put a lot of time in with those dogs--

CHAIRPERSON MENDEZ: [Interposing] That's part of the problem.

COUNCIL MEMBER BREWER: They identify it.

CHAIRPERSON MENDEZ: Is identifying.

COUNCIL MEMBER BREWER: Right. So I guess all I'm saying is what would be the timing on such a public/private partnership with Robin Hood and training and so on. Do you have any sense of that?

CHAIRMAN RHEA: I mean we do. We are in conversations with them now about expanding the Academy. The goal would be to have, you know, a next leg of it up and running some time, you know, in the summer.

COUNCIL MEMBER BREWER: Okay.

CHAIRMAN RHEA: And hopefully, you know, to have people complete the training in the, you know, last summer, fall, for us to be working with implementing and engaging in our developments. But again these conversations are ongoing and, you know, we are looking for other avenues to address this. We thought we had identified one but the money didn't come through so.

COUNCIL MEMBER BREWER: Okay. Not good news but we'll keep working on it. On commercial rents, I know way, way, way in the past there were a lot of uncollected commercial rents and a lot of challenges. I would say not every development has commercial rents, many do not. But there were issues around that. Has that all been addressed? In other words there were, before your tenure, there were people who had never paid rent or etcetera. And I'm just wondering of that's all been addressed.

CHAIRMAN RHEA: It has not. We area continuing to have conversations with our important community partners that provide, you know, very valued services to our residents. Obviously they're beginning to understand the economic impact on NYCHA by not receiving any rent. And we are--I'm assuming you're talking--are we getting--am I confusing two--

COUNCIL MEMBER BREWER: [Interposing] There are two--no, no, it's two issues. One of course we don't want to charge too much to the Settlement Houses and the seniors--that was one issue.

CHAIRMAN RHEA: Right, right.

COUNCIL MEMBER BREWER: But there were, even before your tenure, and this goes way back, there were, I don’t know what to call them, funny leases for lack of a better word, in some of the developments--

COMMISSIONER LOPEZ: [Interposing] [Off mic] She's talking about the commercialization - - .

COUNCIL MEMBER BREWER: --yeah, not the nonprofits.

COMMISSIONER LOPEZ: --that situation has changed.

COUNCIL MEMBER BREWER: Yeah.

CHAIRMAN RHEA: Yeah. I think we have resolved that.

COUNCIL MEMBER BREWER: Okay.

CHAIRMAN RHEA: We have taken action on commercial tenants.

COUNCIL MEMBER BREWER: Okay.

CHAIRMAN RHEA: Where we've had to, you know, pursue, you know, eviction, we have. And where we've had to pursue negotiated settlements we have. So--

COUNCIL MEMBER BREWER: [Interposing] So you have income coming in where it's available from the commercial--

CHAIRMAN RHEA: [Interposing] Yes. And--

COUNCIL MEMBER BREWER: [Interposing] Okay.

CHAIRMAN RHEA: --we are. We've also looked at the value of our commercial facilities--

COUNCIL MEMBER BREWER: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --and have engaged

private sector experts around helping us maximize the value of our commercial properties, some of which need major capital investments in order to achieve the level of market rents that we'd like to achieve. And so that's part of our Plan to Preserve Public Housing is how to maximize the value of our commercial spaces.

So we are doing stuff real-time today to get what we can out of them and try to understand what investments we would need to make in order to really maximize the value of those commercial spaces.

COUNCIL MEMBER BREWER: All right. So somewhere you have a listing of these as--

CHAIRMAN RHEA: [Interposing] Yes.

COUNCIL MEMBER BREWER: Okay. Technology. I know that--do have like a separate budget for that? How? I'm thinking, you know, there's a big push not to hire anybody outside, consultants. Some of your managers I know who are excellent and at least in our case they do a lot of paperwork. I know you, as somebody who cares about this issue, would love to have them do less. But the question is do they have the capacity, the speed, the so-on to be able to use more technology? Obviously upgrades. I just don't know what the status of it all is. And if you're looking for a dollar figure there, etcetera.

CHAIRMAN RHEA: Okay. So a couple of things. One is our technology spend will be part of our May City Council budget presentation 'cause it's part of our Operating Budget. Well a portion of it. We have capital money in the technology plan too but a significant amount of our technology spend is in the operating budget.

Many of you are probably aware that we recently rolled out the second phase of NICE, NYCHA Improving the Customer Experience. That program is a substantial investment in technology.

COUNCIL MEMBER BREWER: That's capital or expense?

CHAIRMAN RHEA: It's both. It's both. But--

COUNCIL MEMBER BREWER: [Interposing] What's the dollar on that?

[Pause]

CHAIRMAN RHEA: I don't want to quote a number right here and misquote it but it's tens of millions of dollars.

COUNCIL MEMBER BREWER: Okay.

CHAIRMAN RHEA: And we are, because again--and it's broken down between capital and operating.

COUNCIL MEMBER BREWER: Mm-hmm.

CHAIRMAN RHEA: The second phase which includes both our ATAD which is how we process new public housing residents as well as recertifications of public housing residents and it includes our Section 8 program, all of which we manage from initiation through to, you know, closeout and ongoing management of those residents and customers. So it's a big, big piece of our operations that have been applied, new technological solutions to reducing paperwork and speeding the process.

So we are making huge investments on that side of NYCHA's operations. And we will continue to make prudent investments on the technology side. And so we will present more in our Operating Plan but we certainly will be able to update you on where we are with NICE come May as well, given that we pulled the trigger on go-live in January. And so we've had, you know, a couple of months now of implementing it, debugging it, and getting NYCHA staff comfortable with operating with the new technology and software in place.

COUNCIL MEMBER BREWER: And you did this with DOITT? You're doing it with in-house; you're doing it with outside consultants? What's the combo of all of that?

CHAIRMAN RHEA: Right. So NICE is not being done with DOITT.

COUNCIL MEMBER BREWER: Okay.

CHAIRMAN RHEA: We obviously had conversations about the implementation of NICE with our sister agency DOITT. They have historically had parts of our operation. They'd process all of our, for example, all of our payroll and other things. But DOITT is not the mechanism through which we've contracted. It is a combination of internal as well as external vendors. I think the largest vendor is IBM as part of the NICE implementation.

COUNCIL MEMBER BREWER: And I won't go--there's probably more questions there but I'll leave it. My final question is when we went to Newark; we saw a lot of interesting things. It was a great trip. Now maybe you talked about it earlier. But are any of those great ideas able to be implemented in New York?

COMMISSIONER LOPEZ: In the process--

CHAIRMAN RHEA: [Interposing] Right so we--

COUNCIL MEMBER BREWER: [Interposing] In the process? If you already answered it I don't need to go--

CHAIRMAN RHEA: [Interposing] No but I'll just give you the 2-second version. We have $30 million the City Council has provided for security measures--

COUNCIL MEMBER BREWER: [Interposing] Right.

CHAIRMAN RHEA: --principally cameras--

COUNCIL MEMBER BREWER: [Interposing] Mm-hmm.

CHAIRMAN RHEA: --we have a plan that we've come back to each Council Member who's allocated money to that plan to implement a layered access program--

COUNCIL MEMBER BREWER: [Interposing] Right.

CHAIRMAN RHEA: --which includes many aspects like electronic access and other things that you saw in Newark.

COUNCIL MEMBER BREWER: [Interposing] So--

CHAIRMAN RHEA: [Interposing] But that's only for, you know, a subset of our developments.

COUNCIL MEMBER BREWER: Right. So that would be the $30 million would be the total for that layered access? Is that what you're looking at?

CHAIRMAN RHEA: Yeah, well no, the layered access is substantially more than that--

COUNCIL MEMBER BREWER: [Interposing] That's what I thought.

CHAIRMAN RHEA: --but that's taking the $30 million that had already been allocated--

COUNCIL MEMBER BREWER: [Interposing] Right.

CHAIRMAN RHEA: --and re-scoping the work to include the layered access in those developments where Council Members had allocated money for safety measures.

COUNCIL MEMBER BREWER: In the bigger picture, whatever layered access costs, does that include somebody sitting at the front desk? That was the best part--

CHAIRMAN RHEA: [Interposing] No it does not.

COUNCIL MEMBER BREWER: --of Newark.

CHAIRMAN RHEA: No it does not.

COUNCIL MEMBER BREWER: The best part of Newark was the gentleman sitting at the front desk.

CHAIRMAN RHEA: We would agree with you. It does not include a, you know, a security guard, a desk attendant--

COUNCIL MEMBER BREWER: [Interposing] A man, a wonderful, wonderful man at the front desk.

CHAIRMAN RHEA: It does not. It does not include that.

COUNCIL MEMBER BREWER: That's too bad.

CHAIRMAN RHEA: I would agree with you.

COUNCIL MEMBER BREWER: Thank you.

CHAIRPERSON MENDEZ: Council Member Chin?

COUNCIL MEMBER CHIN: Thank you. I just had a question about the resident training. I know that you said you're going to maybe go into more detail in the expense budget. How are the residents being recruited from the different projects? How do they find out about the training programs and be able to take advantage of it?

CHAIRMAN RHEA: We've done a number of things and I don't see anyone here from--

COUNCIL MEMBER CHIN: [Interposing] Okay.

CHAIRMAN RHEA: --our residential employment area.

COMMISSIONER LOPEZ: I can help with that.

CHAIRMAN RHEA: Go ahead.

COMMISSIONER LOPEZ: Yeah. Is many

mechanisms that have been used and continue to be used. The first one I'm going to mention to you is there are leaders of the different tenant organizations invite the Department to make a presentation to the tenant organization about the possibilities of becoming involved with the training program that exists. But that's just one of the many mechanisms.

They have utilized and will continue to utilize fairs, job fairs. They have had a series in different pars of the developments. They utilize notification through the internet system that we have for NYCHA. The communication system through the journal. They utilize also the Green Agenda has been involved in promoting the reaching out for the purpose of recruiting people and offering the opportunity to be part of the training that is available.

Everywhere that the Green Agenda goes to present for the formation of the Green Committee, one of the things that we ask the member of the Green Committee that's formed, is that they help us to commit the outreach to people that are in that particular development would benefit from training for the future jobs that are coming. It's as already as much as possible but it's not only into that arena.

Anyone who would like to invite the Department to make a presentation, they will go to the development and make the presentation to the tenants in question. Invitation can come from you, from the Council Members, or can come from the tenant leaders or come directly from NYCHA when NYCHA is implementing programmatic activities in the different developments. For any reasons.

And I will tell you that we do it for, just to give you an example, the recent programs that we are going to put in place of development like Prospect Plaza or Randolph or any of the ones that are in the pipeline, one of the components of that is the job opportunity training offer for the residents and the communication that these jobs are going to be available. And that it is important for them to engage in that training now. Not to wait until the jobs are here. Because by then they are not going to have the skills necessary. And for that reason, that training and Academy is so important.

CHAIRMAN RHEA: So I just wanted to add, and I feel Council Member Chin, we haven't done justice to the real hard outreach work that residential employment services has been doing here. So I'd like to actually follow up and provide you with the specific outreach. But for example, we held a job fair in Rutgers less than two months ago with specific information and outreach and dialog around the Job Training Academy.

But there's been many of those as the Commissioner said, but there's been a heck of a lot more outreach to where we've utilized both, you know, public not-for-profit partners who have helped with our outreach. We've worked with the tenants association leaders. We've done a lot of stuff with our mailings. And I would prefer to come back to you and give you like a 1-pager that lists for you all the tings that we've done to do the outreach around the Training Academy.

COUNCIL MEMBER CHIN: No. I appreciate that because on your testimony you talked about, you know, creating these jobs and people are trained and they're getting jobs and also NYCHA is creating jobs.

CHAIRMAN RHEA: Correct.

COUNCIL MEMBER CHIN: And you are filling these jobs, hopefully, with residents. And I'm looking at, you know, down the road that you could do a cost analysis like that every job that you created for a NYCHA resident, they pay more in rent.

CHAIRMAN RHEA: Mm-hmm.

COUNCIL MEMBER CHIN: It’s an investment.

CHAIRMAN RHEA: Mm-hmm.

COUNCIL MEMBER CHIN: And so I guess the other question was that how much, in terms of public dollars, are you leveraging for this training? Because you work with all these partners, right, in terms of doing the training. Is NYCHA putting in all the money or--

CHAIRMAN RHEA: [Interposing] No. No, no.

COUNCIL MEMBER CHIN: --are you leveraging--oh--

CHAIRMAN RHEA: [Interposing] We're absolutely leveraging private dollars. So philanthropic dollars to provide all of the training. So that's one of the things, reasons why we think that this program is not only, you know, innovative but ultimately, as you said, leverages the scarce public resource that we have so that more residents can benefit from, you know, skill development as well as access to job opportunities.

So we are absolutely looking to expand this program, as we mentioned, into extermination and to the next leg of it. And we need more partners like Robin Hood who are prepared to invest alongside of us. So, no, this is leveraged, this is absolutely providing us with incremental dollars that are not part of our budget. And again we've done a lot with our staff in this area that I'd like to, you know, for us to share with you because it is a good story. And we need your partnership.

In some cases we've been slightly disappointed with some of the--in aggregate we've had a lot of NYCHA residents who've signed up for the Academy. But in a couple of cases they haven't come from the developments we would have liked them to come from, particularly where we knew we were going to be doing specific work. Obviously our goal is to do as much within that development and within that community and then citywide within NYCHA residences. And in certain cases we've had difficulty penetrating particular developments. And obviously then residents are concerned that the jobs aren't going to local residents despite our best efforts.

So it's a place where we've done a lot but we want to continue to work hard to do more.

COUNCIL MEMBER CHIN: I think all of the Council Members here, I think we would love to work with you--

CHAIRMAN RHEA: [Interposing] Okay.

COUNCIL MEMBER CHIN: --to make sure that those developments are reached.

CHAIRMAN RHEA: Great.

COUNCIL MEMBER CHIN: Okay. Thank you.

CHAIRPERSON MENDEZ: Thank you Council Member Chin. Mr. Chairman, if we can go back to energy. Each year, I mean you have in your portfolio a whole bunch of residential units where the residents are not metered and the Housing Authority pays the electricity for that. Estimate about how many units the Housing Authority is paying the electrical for.

MR. LAMB: Yes. We have approximately 13,000 residents who pay their own electric bill. The balance of--I'm sorry, about 13,000 apartments where the residents pay their own electric bill. The balance of the apartments are paid, the utility bill, is paid by NYCHA.

The reason for that is the way the buildings were constructed; they were constructed before there was a requirement that the apartments be sub-metered. And given the age of the buildings, that's the reason why the Housing Authority continues to pay most of the bills.

CHAIRPERSON MENDEZ: And the Housing Authority gets a reimbursement from the Federal government for a portion of that, is that correct.

MR. LAMB: Correct. Assuming--yes.

CHAIRPERSON MENDEZ: Mm-hmm. So if you could talk us through what the funding formula is and how much you actually get reimbursed?

MR. LAMB: Mm-hmm. Yes. This Housing Authority and all Housing Authorities get reimbursed by the Federal government for their actual utility expenses at their Federal developments. So one of the important aspects of the Federalization plan was that having Federalized those 21 City and State units, the utility bill begins to get picked up by the Federal government as part of the operating subsidy.

So assuming that there is, that the public housing formula is fully funded with Congressional appropriations and if the local Housing Authority doesn't have any locally built non-Federal units, the Housing Authority should be reimbursed 100% of its utility spend.

It's based on a complicated formula that takes into consideration 3 years of a rolling average of consumption and has built into it some incentives for the Housing Authority to reduce consumption. So for instance when the Housing Authority submits its forms for reimbursement and if there's been a spike in consumption relative to the previous 3-year average, then the Authority is--the local Housing Authority is on the hook for paying for that difference.

However on the flip side if the Housing Authority is able to reduce its spending then the Federal government shares approximately 25% of that savings with the local Housing Authority to create incentives to reduce consumption. And that's how essentially the Federal formula works on the utility side.

CHAIRMAN RHEA: The important point though that Felix said earlier but I want to emphasize is that if the operating fund is fully funded we're reimbursed for 100% of our energy expenses, you know, notwithstanding the rolling average kind of mechanism. And obviously in many, many years, sans last year, we haven't been fully funded at the operating level. So we weren't being fully reimbursed for energy expense.

MR. LAMB: Mm-hmm.

CHAIRPERSON MENDEZ: So something that might spike your numbers would be like what, a heat wave? Things like that or are there other things you've been able to identify that might spike the electrical costs for the Authority.

MR. LAMB: Well we did have actually a small spike in electrical spending last year. It was a warmer summer. So there were more air conditioners running, for instance. And those spikes, if they're, in terms of spending, right, there's the rate component and the actual consumption component.

A Housing Authority will get a pass if it's a rate spike. But the Housing Authority will get those funds from a cash flow perspective the following year which is again goes back to how important is it for the Housing Authority to maintain a certain level of reserves. If the spike, for instance, is consumption-related, if it's an exceptionally hot summer or an exceptionally cold winter, it's assumed by the Federal government that that's factored into the 3-year average. And so there's not a particular allowance for those kinds of variations.

CHAIRPERSON MENDEZ: And in the places where you've done some greening, have you been able to notice a savings in your electrical costs in those developments?

MR. LAMB: Yes. At Castle Hill for instance we are now able to, for the very first time; understand what the electrical consumption is for every unit which we weren't able to do before. And--

CHAIRPERSON MENDEZ: [Interposing] Castle Hill has now many units in it?

MR. LAMB: It's approximately 2,000 apartments at Castle Hill. And that, so when we're looking at the numbers and we can control for the hot year that we had last year, the Housing Authority achieved approximately $400,000 in just cost avoidance as a result of making the residents aware of the fact that we are monitoring electrical consumption. That along with all the new light bulbs that we had put in because we had changed all the incandescent bulbs with CFLs, provided residents with new fixtures in every apartment, that also helped to reduce the electrical load at that development.

And then the new boiler plant along with the new hot water heaters, for instance, we're seeing some really dramatic reductions in spending with respect to keeping the building warm. Now I'll tell you that, 'cause, you know, I get the calls every once in a while, you know, residents complaining about the apartment is not being warm enough, and there is some truth to that.

But when you look back and you consider that the apartments on average before were being heated to about 88 degrees and now we're, you know, somewhere in the mid-70's, it’s a dramatic change for some residents. But it's allowing the Housing Authority, of course, to spend less on the energy side.

CHAIRPERSON MENDEZ: Thank you. Fleet. Fleet costs. Can you tell me how many automobiles are in your fleet and how much it is costing the Authority?

MR. LAMB: Yes. The Housing Authority has about 870 vehicles in its fleet. We have a replacement cycle of about 7 years and 70,000 miles on average for the fleet. And the majority of the fleet is composed of pickup trucks, box trucks, horticulture-related vehicles, and the like.

You can imagine with the variety of

services that the Housing provides, it has light duty trucks, trucks, as well as heavy duty trucks. And I'd like to just point out that since we're talking about fleet and energy, in the plan that's before you today, the Housing Authority will be piloting as part of its Green Agenda, two fully electric heavy duty trucks for the very first time.

So we're very excited about that because we think over the long term it'll save the Housing Authority a lot in operations and maintenance. We were able to secure a grant from the New York Power Authority to help offset the costs. And so we'll be piloting those two trucks at NYCHA developments. There's a--

CHAIRPERSON MENDEZ: [Interposing] At which developments?

MR. LAMB: I don't know yet.

CHAIRPERSON MENDEZ: you haven't determined it yet?

MR. LAMB: No. We haven't determined it yet. The trucks though are in use. There's actually a Frito-Lay distributor in the South Bronx who uses the trucks. And we're looking to partner with them in terms of how we locate a charging station on NYCHA grounds.

CHAIRPERSON MENDEZ: How much--

COMMISSIONER LOPEZ: [Interposing] We need to have some control over those two because we want to get a lot of data from it.

CHAIRPERSON MENDEZ: Mm-hmm.

COMMISSIONER LOPEZ: That would tell us how effective they are in terms of the load that they are going to cart.

CHAIRPERSON MENDEZ: Mm-hmm.

COMMISSIONER LOPEZ: How effective they are in terms of the delivery. And if the cars will produce the force that is necessary plus the savings in question. And they are going to be monitoring very carefully, collecting that information as we move forward.

If the data that come out indicate that they are really what they promise to be, then NYCHA is looking at the possibility to begin changing that fleet and begin utilizing those trucks. It's an advantage on that experiment that we're doing because energy stations are going to be distributed by the Power Authority. And NYCHA can be one of the recipients of those energy stations. And if that will occur the energy stations are going to be eventually requiring different neighborhoods for people to change their cars from the regular ones to the electrical one and NYCHA will be able to commercialize that possibility.

CHAIRPERSON MENDEZ: Of your 870 vehicles, how many of those are for managers, administrators?

CHAIRMAN RHEA: Well let me see if we can just give you a different number. Of the, as Felix said, of the 875, roughly 200, a little over 200 of them are actually cars and, you know, SUVs. Everything else are pickup trucks, vans, you know, dumpsters, utility trucks, I mean non, you know, passenger type vehicles.

COMMISSIONER LOPEZ: [Interposing] John Deere.

CHAIRMAN RHEA: Huh?

COMMISSIONER LOPEZ: A John Deere.

CHAIRMAN RHEA: Tractors, John Deere tractors, all of that stuff is in the 875 fleet. It's only a couple hundred vehicles are "traditional passenger vehicles". Obviously, you know, a substantial portion of that is managerial-related. People who have access to a passenger vehicle, community operations professionals who are out in the field; supervisors who are out in the field have access. Construction inspectors, people like that.

CHAIRPERSON MENDEZ: And they utilize the vehicles once they get to the field? I mean there was something in the news where some of these vehicles were being driven home to places outside the five Boroughs.

MR. LAMB: Yes.

CHAIRMAN RHEA: To the extent that someone has, for example, they have ability to go to and from work and they, you know, we don't have a requirement obviously to live in the five Boroughs as a Federal-funded agency, there are a limited set of managers who have access to the vehicle. The vast majority of people have access to the vehicle once they arrive at a site, a work site, where the vehicle is parked.

CHAIRPERSON MENDEZ: What does vast majority mean?

CHAIRMAN RHEA: I'll have to get you an exact number Council Member.

CHAIRPERSON MENDEZ: Thank you. Regarding stimulus, we are going to be, you know, the numbers look great. We're going to be having a hearing where we will get into all of the details and you can talk us through what's been obligated, what still needs to be--you said everything's been obligated at this point. We'll go through all that. What work has been done in what developments? But that will be the subject of another hearing and we'll get into those details then.

And let me just take one more quick look but I think… I think we've covered a lot of material today. And again I want to reiterate Council Member Dilan's suggestion to sit with him and to discuss Local Law 11.

CHAIRMAN RHEA: Yep.

CHAIRPERSON MENDEZ: And whatever way I can be helpful on that as well. And I want to… sorry. I forgot to turn off the volume. I want to thank the Authority for being here, for answering all of our questions. And we're going to take a 5-minute recess while I go up to the Health Committee and then we'll open it up for the public portion. And again, I only have two people who are scheduled to testify. Anyone else who wants to testify, please fill out one of these with the Sergeant at the back. Thank you.

CHAIRMAN RHEA: And I would just like to thank the Chairwoman for the opportunity to present NYCHA's Capital Plan. We look forward to coming back in May around the Operating Plan. And I also would like to take you up on your offer to continue helping us both at the State level and at the Federal level around the real risk to our Capital Plan.

CHAIRPERSON MENDEZ: Thank you.

CHAIRMAN RHEA: Thank you.

MR. LAMB: Thank you.

CHAIRPERSON MENDEZ: And thank you Mr. Lamb and thank you Commissioner Lopez.

[Pause]

CHAIRPERSON MENDEZ: Yeah. I'm going to go upstairs real quick.

[Recess]

CHAIRPERSON MENDEZ: --right now,

as soon as I get the okay. Ooo, coffee.

MS. MOLINA: Okay.

CHAIRPERSON MENDEZ: So we have Dominiqua Sebisti [phonetic]. I hope I'm pronouncing it correctly from Maspeth, Queens. Okay. She left. And Joseph Garber. And there is a hearing that is going to start here so we're going to give you about five minutes and you can give your testimony and then that will be it. If anyone else, we can get your testimony in quickly if you want to. Okay. That will be it. Mr. Garber, whenever you're ready.

MR. JOSEPH GARBER: Good morning Chair Mendez, Council staff. My name is Joseph G. Garber. I'm a long-time resident of public housing.

My testimony today is going to be both on the written monographs presented by the City Council and the Chairman's testimony and some discussion I heard that needs further clarification. On page 1, it discusses meaningful change in the life of residents, okay, in the Chairman's testimony. I'd like this amplified, what type of meaningful change is the Chairman talking about?

On page 3 it says the word analyst. From which NYCHA Department did these analysts come from and what type of analysis did they do? On page 3 it also discussed the area of transformental [phonetic] rental assistance that's causing controversy. I would like to have heard some testimony how this TRA is causing controversy and in what area. Okay. On page--

CHAIRPERSON MENDEZ: [Interposing] Mr. Garber.

MR. GARBER: Yes.

CHAIRPERSON MENDEZ: So they mentioned some of these with broad strokes 'cause they were just supposed to get into the fiscal impact--

MR. GARBER: [Interposing] Okay.

CHAIRPERSON MENDEZ: --so but these could be subjects of future hearings. I just wanted to let you know--

MR. GARBER: [Interposing] All right but I want to continue my--this hearing is supposed to be a joint Mayor's Management Report hearing. As you look at the schedule promulgated by the Council staff, so we could have asked some questions in the MMR that we could have shown thrown off.

Now. Madam Chair, when you discussed energy, you neglected to mention about all the public space lights that are burning exterior-wide in the daytime. In fact I went around yesterday in two Boroughs and I have a whole listing which I'm not going to mention publicly but we are wasting money because lights are burning in the daytime.

Okay now. In the Plan to Preserve Public Housing on page 4, I want to tell you how limited it was. On October 5th I was invited to a focus group where I discussed for about 45 minutes with 12 other participants. Then it was supposed to have been followed up by Baruch College in a telephone survey. They never got to me. They called me on the Sabbath. I couldn't answer the phone. And they called me another day. I was not home. And they don't leave a phone number to call back. And I never got into the second part.

Okay. On page 5, they discussed that they went down with work orders. On December

28th I had 7 work orders which I was scheduled by the CCC which nobody showed up. Because I called the whole night they came on the 29th without copies of the work orders and they told me we'll do all the work but I did not sign it.

Now on page 5 they discussed about an operations team, who's on the operations team?

Now I'm questioning on page 6 how the work tickets were decreased. I have had in my development alone people have told me they wait for items, they call the CCC, the CCC is excellent. You get a work order number. However the development is not really monitoring and they're missing appointments and the residents do not know where to call. The CCC has to help them out on the escalation process.

On page 6, elevators may be operating properly but I had the Elevator Bureau, the Bureau Chief Mr. Louisa did a survey of the floors on all the elevators and found that they were getting worn out. And he wrote an estimate to fix it to Director Margaret Mann four months ago and she doesn’t want to tell me what she's going to do about it.

Now. Commissioner Lopez talks about that she's the Environmental Coordinator. I've tried to get her to set up committees, Green Committees at Williams Plaza, Taylor White and Independence Towers and nothing is happening.

Okay. Now on page 7, relative to the completion of various community centers, could any of these community centers have been consolidated?

On page 8, which residents will receive financial planning and management services?'

Okay on page 9, Randolph has existing buildings. How will the expansion of room improve lighting areas?

On page 9, with Vice Chairman Andrews gone, I think that resident employment services will improve. I'd like to say that I missed Deputy General Manger Hugh Spence from being here today. He was excellent. And I'm very sorry he's no longer with the Authority.

Now interesting what the Chairman announced about this new lady, Rashia Mason who's going to be an Assistant Director. I'm curious to see what she's going to do.

We also have a new Director that's trying to engage himself in supply chain operations. This coming Wednesday there are six items on the calendar. I suggest all members of the public who'd like to come to the Housing Authority hearing, this coming Wednesday at 10:00 o'clock at 250 Broadway on the 12th Floor.

Okay. I'm also glad that you're concerned about under-employed residents. I'm curious, does the 80,000 unemployed include retired residents because technically when you fill out the annual income review form, if you're retired, you check off you're retired. You're not working when you're retired but you could work. So I'm curious, the 80,000 people that are unemployed, does that include retired? We have to think about it.

Okay. Page 10, what is the function of a maintenance aide. Okay? I never heard of that title. Has that been classified by the Civil Service Commission?

On page 11, please explain asset management in the first paragraph.

Now NICE, the issue of NICE, improving customer service, has been going on and going on and going on. But as I said, Pat Wallace's outfit, management and customer relationship systems, should be moved out from the Deputy General Manager operations to a place under the Chairman because improving management systems in the Authority is not only in the field of operations but it's throughout all the Authority. The telephone answering technique, they're still not answering. You call the Chairman's office and they say Executive Department or Office of the Chairman.

Now let me just talk basics a minute. There a unit in the Authority called the Department of Communications. Well when you call at night, 212-306-3322, they say Office of Communications. So they themselves don't know if they're a department of an office. So how can you communicate?

I could finish more if you'd like me, but if not I'll--do you want me to speak another one minute or two? It's up to you.

CHAIRPERSON MENDEZ: Well we start

clearing the room so they can get the tapes ready for the next hearing so--

MR. GARBER: [Interposing] All right. Okay.

CHAIRPERSON MENDEZ: Thank you for being, going through this almost page by page.

MR. GARBER: All right.

CHAIRPERSON MENDEZ: That was very helpful.

MR. GARBER: All right.

CHAIRPERSON MENDEZ: And I will follow up to find out about where they are with meeting with the different and creating these different green committees--

MR. GARBER: [Interposing] Okay because that's not happening.

CHAIRPERSON MENDEZ: --and how that process is going.

MR. GARBER: Thank you.

CHAIRPERSON MENDEZ: And what I failed to mention is we were joined by Council Member Robert Jackson from Manhattan. And I want to thank everyone for a productive hearing--

MR. GARBER: [Interposing] Any

questions?

CHAIRPERSON MENDEZ: --and--yeah, any questions? No? Okay. Thank you very much.

MR. GARBER: Okay.

CHAIRPERSON MENDEZ: All right. And I want to thank the public for being here. This meeting is adjourned.

[Gavel banging]

C E R T I F I C A T E

I, Laura L. Springate certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Laura L. Springate

Signature ____Laura L. Springate_______

Date _______April 11, 2011___________