CITY COUNCIL
CITY OF NEW YORK

-------------------X

TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON PUBLIC HOUSING

-------------------X

March 12, 2013
Start: 10:15 a.m.
Recess: 12:35 p.m.

HELD AT: Council Chambers
City Hall

B E F O R E:
ROSIE MENDEZ
Chairperson

COUNCIL MEMBERS:
Maria Carmen Arroyo
Margaret S. Chin
Daniel J. Halloran III
James G. Van Bramer
Letitia James
Gail Brewer

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

John Ria
Chairman
NYCHA

Cecil House
General Manager
NYCHA

CHAIRPERSON MENDEZ: Good morning. My name is Rosie Mendez and I'm the chair of the Public Housing Committee. Today the Committee on Public Housing will hear from the New York City Housing Authority to discuss their 2013 through 2017 operating budget plan. NYCHA continues to face many budget challenges due to federal funding shortfalls and most recently the sequestration. Primarily due to the one time use of $90 million unrestricted reserves from the authorities, mixed federalization and planned contract base Section 8 properties transaction, NYCHA anticipates closing the 2013 calendar year with an operating surplus of $310,000. I got that one out. Anyway, the purpose of this hearing is to discuss NYCHA's five year budget and related programs. Some of the authorities initiatives that we would like to address include the rent equity policy, auxiliary, revenue streams from advertising and commercial space, land lease strategy and streamlining central staff to move more funding to the front line. We would also like to hear how NYCHA will deal with the potential federal budget cuts in the current and future years. At the end of this hearing we will be taking public testimony. Right? Yes. And you need to fill one of these with the sergeant. Also, there will be some limited questions regarding the infill development. Any questions that are budget related we will be having a hearing next month on the infill developments. So any detailed questions about that I'll ask my colleagues to save it for the next hearing and just let the public know that that's why we won't be getting into any details. This is a preliminary budget hearing. Thank you very much and NYCHA.

MR. JOHN RIA: Chairwoman Rosie Mendez, members of the committee and other distinguished members of the city council, good morning. I am John B. Ria, chairman of the New York City Housing Authority. Joining me today are Cecil House, general manager and Michael Zumu [phonetic], vice president of finance. Also with us in the audience are vice chair Emily Yussef [phonetic]. I don't think Commissioner Lopez has joined us yet this morning, nor board member Victor Gonzalez, but they will be here, and other members of the NYCHA management team. Thank you for this opportunity to present NYCHA's 2013 through 2017 operating budget plan, or the plan, as we refer to it. NYCHA is the largest public housing authority in the nation and administrator of the country's largest Section 8 program. For almost 80 years we have been a prudent, successful steward of these valuable programs that currently provide homes for over 625,000 New Yorkers. However, never in our history has NYCHA been required to do so much with so little. The federal funding we sorely depend upon to maintain our buildings and provide vital services has been woefully insufficient for over a decade. And given the current landscape in Washington, we expect this trend will continue, if not worsen. Despite our efforts to preserve New York City's public housing asset and improve resident quality of life, severe under funding puts at risk our ability to uphold our commitment to NYCHA families, present and future. As I have shared with the council, Plan NYCHA is our strategic roadmap for the preservation of public housing. This morning, I will take you through our operating plan which demonstrates how we are confronting the under funding challenge head on by carrying forward and refining key Plan NYCHA initiatives to increase revenue, redirect resources to the front line and transform the Authority into a more efficient agency. This budget also reflects how despite our proactive efforts, circumstances beyond our control make restoring NYCHA's long term financial stability an incredibly difficult task. The budget implications of events like Superstorm Sandy and the current sequestration of federal funds further jeopardize NYCHA's ability to fulfill our mission for those we serve. Although Sandy caused substantial damage to hundreds of our building systems, but thankfully not to the structures, it is our capital budget and not our operating budget that is most affected. The operating costs associated with the storm occurred in 2012 and so are not reflected in this plan. I will return at a later date to present our 2013 through 2017 capital plan, which will describe Sandy's financial impact. In last year's budget presentation I laid out a plan that included $35 million of annual cost savings in central office and administrative functions by 2016. This plan realizes an additional $10 million of annual savings. These savings, along with other initiatives, will help us eliminate the maintenance and repair backlog by the end of 2013. We're on track to meet this goal, having resolved 73,000 outstanding work orders since rolling out this ambitious program in January. This operating plan also builds upon critical Plan NYCHA initiatives, such as implementation of an equity policy, conversion of unsubsidized units to Section 8—to the Section 8 program and development of insularly revenue streams. The strategy to lease under-utilized land at select NYCHA sites is another significant Plan NYCHA initiative incorporated in this budget. In total, these initiatives will provide an additional $170 million in cumulative revenues over the next five years. However, despite this increase in projected revenue since the prior budget was adopted, NYCHA's cost structure has sustained substantial increases due to higher employee fringe benefits. Last year's plan included the Board approved changes to rent policy to restore fairness in rents among public housing residents. Under this policy, which is expected to take effect later this year, rents from most of these flat rent households will gradually be raised up to 30% of family income, subject to the maximum U.S. Department of Housing and Urban Development established fair market rent. The rent equity policy, which will only affect 28% of households, is expected to yield $169 million in cumulative tenant rental revenue from 2013 through 2017. It should be noted, however, that the increased income is non-recurring. While NYCHA succeeded through federalization in securing federal operating and capital subsidy for over 11,000 units of public housing, there are over 5,500 public housing units that still do not receive any dedicated form of federal, state or local subsidy. This significantly contributes to NYCHA's current structural operating deficit. Our plan reflects an initiative to convert another 4,300 of these unfunded public housing units to Section 8 assistance, beginning in 2014, by amending our current conversion program. NYCHA intends to work with HUD and residents over the coming year to develop a comprehensive strategy for conversion. As we've been saying since 2006, full conversion of these 4,300 units is critical to NYCHA's survival, equating to $104 million of additional revenue annually. Last year's budget outlined how we will tap into ancillary revenues, including increase commercial income from rooftops and storefronts, increase parking fees and subleasing excess office space within our administrative portfolio. Beginning in 2013 we plan to lease underutilized land as select NYCHA sites to developers, to generate additional revenue streams. NYCHA anticipates this initiative will add over $30 million annually to revenues by 2016. The majority of this incremental revenue is designated for transfer from the operating budget to the capital budget to enable critical capital work in NYCHA's public housing buildings. We are moving forward with this beneficial strategy completely committed to transparency and collaboration with our stakeholders. We have already met with many elected officials and residents to discuss our plans and will continue to go above and beyond what is required by regulation in engaging with residents and resident leaders to solicit their input. Despite our efforts to increase revenues, we are facing rapidly increasing non-discretionary expenses. Notably in 2012 NYCHA's annual contribution to the city's pension system swelled from $119 million to $150 million, a $31 million increase. This, along with increased costs for employee's health insurance, a 9% annual increase and worker's compensation, a 4% annual increase, represents substantial increases over last year's plan. The cumulative increase in fringe benefits from last year's plan is a staggering $394 million. While NYCHA plans to reduce headcount by 217, from 2013 through 2017, fringe benefits and other entitlements for active and retired employees remain the fastest rising cost we face, growing 5.6% annually. The Council should note that like the rest of the city, NYCHA is operating without a labor contract. As I've said, NYCHA faces significant headwinds due to chronic federal under funding which continues to put public housing in jeopardy. Public housing is primarily funded through federal subsidies which account for 63% of

NYCHA's total revenues, about 40% of NYCHA's general fund revenues and 100% of our Section 8 housing choice voucher program revenues. I have reported many times to the City Council how the federal funding NYCHA receives does not keep pace with the increasing needs of our aging infrastructure. 70% of our buildings are over 40 years old and rising inflationary costs. Since 2001 our cumulative funding loss compared to HUD determined eligibility has been over $857 million. That total is about $115 million more than we reported to you just a few months ago, as a result of HUD's 2012 reserve recapture. To be clear, this is money that our national oversight and funding agency has determined necessary to maintain our functions and that Congress has not delivered due to pro-ration which occurs when Congress does not appropriate full funding to HUD. Additionally, HUD's funding formula is flawed as it does not fully recognize the demand of NYCHA's aging housing stock. While we continue to work closely with government partners to increase flexibility, pursue new opportunities and develop innovative approaches to make the most of every dollar, NYCHA's needs far exceed the amount we receive through federal funding. Insufficient funding threatens NYCHA's ability to efficiently address the maintenance and repair our buildings desperately need and which in effect ensures the safety of the families we served and the preservation of these assets. We have worked hard to identify additional revenue since last year's plan and we're going to continue looking at more solutions to close the funding gap. We're not going to raise the white flag of defeat. NYCHA's operating budget is maintained in three component funds, the general fund, which includes all public housing activities; the housing choice voucher program, which includes all activities and administration of NYCHA's Section 8 program; and categorical grants which include all other grant programs. All funds reflects the consolidation of these three component funds. In 2013 NYCHA forecast $3.14 billion in total all funds revenues. Tenant rental revenues account for 37% of total revenues. Federal operating subsidies for public housing are 29% and Section 8 subsidy for housing assistance payment and administrative fees are 34%. Two discreet revenue streams related to the mixed finance federalization and contract based Section 8 transactions will garner $65 million and $25 million respectively in 2013. These onetime sources of revenue are the types of innovative opportunities NYCHA is actively pursuing to close our budget gap, rehabilitate buildings that are in desperate needs of repair and provide ongoing maintenance services. For 2013 the budget calls for total all funds expenditures of $3.139 billion. Personal service costs, which comprise salary, fringe and overtime account for 41% of total operating budget spending. Section 8 landlord payments are 30% of total expense. Utilities are 17%. And all other expenditures, plus supplies and contracts are 12%. In total, nearly 58% of NYCHA's expenditures are for personal services and utilities. With $3.14 billion in expected revenues and $3.139 billion in expenditures, the 2013 budget projects a modest surplus of $310,000 in consolidated funds in 2013. While NYCHA is taking decisive and responsible steps to shore up the deficit, we're still subject to budgetary factors out of our control. I would like to convey the considerable challenge posed by higher pension and other employee entitlements which by definition are uncontrollable costs. Over the last decade, cost per employee rose 5.4% annually, while federal funding rose only 1.8% annually. During the same period, employee headcount was reduced by nearly 3,000 in an attempt to bring costs in line with federal levels—with federal funding levels. This plan projects that employee costs will rise 2.5% annually over the planned period. Funding will increase only 1.1% and headcount will continue to decline. The additional $31 million in pension costs that I mentioned previously is an annual recurring item. NYCHA also pays the city for various city administered services on behalf of our residents, such as sanitation, payment in lieu of taxes, NYPD services and water usage. These expenses have grown 4% annually over the past decade. And for the projected five year plan, we expect these payments to grow an additional $60 million or 5% per year. For the fiscal year ending 2012, NYCHA oversaw the expenditure over $1.1 billion in federal Section 8 subsidies for housing assistant payments and administrative fees. The housing assistant payment subsidy of $985 million is used to provide rental assistance to more than 92,000 families and 32,000 private landlords. Between 2005 and 2013 NYCHA's housing assistance payment subsidy has been reduced by over $140 million. Of this loss, $50 million was due to pro-ration and $90 million was due to HUD's recapture of NYCHA reserves. In all periods, we are operating with reserves of less than one month of program costs, leaving a very thin margin for error in projecting required voucher assistance payments. Administration of the HCV program requires prudent stewardship over both annual funding resources and program reserves, while balancing the many needs of the voucher recipients, developers and landlords. NYCHA's operating subsidy is faced with two separate and serious challenges, the continuing resolution to fund government programs and funding cuts resulting from sequestration. For fiscal year 2013, NYCHA is currently funded under a six month continuing resolution that expires on March 27th. This means that the operating fund program will be funded at last year's level until an appropriations act is passed or Congress takes other action. This is significant because the fiscal year of 2012 funding level reflected HUD's suggestion that the operating fund appropriation saved $1 billion in federal assistance via a one time, $1 billion offset or a recapture of Housing Authority's operating reserves. Congress agreed to that proposal, lowered the offset to $750 million and achieved the balance, $250 million, in savings through pro-ration. 2012's effective pro-ration was about 80%. This pro-ration level is based on the assumption that the overall appropriation remains at $3.9 billion and does not address sequestration. Under the current continuing resolution, NYCHA will receive $808 million, a $202 million loss against our 2013 eligibility, which is far below the level of funding necessary for maintaining and operating the city's public housing. The reserves are now gone, but our funding under the continuing resolution continues to be based on the imbalanced fiscal year 2012 appropriation, resulting from the reserve recapture methodology. While NYCHA hoped that the six month continuing resolution would recognize this anomaly in funding the operating fund, it failed to do so. Perhaps more important is the fact that last Wednesday, the House approved a full year continuing resolution, again, funding the operating fund and fiscal year, 2012 levels with no anomaly adjustment. Moreover, the approved measure specifically provides that all amounts under the four year continuing resolution are subject to sequestration. The Senate is now in the process of considering the House bill. The sequester, which took effect on March 1st, subjects all domestic and defense discretionary programs to automatic, across the board cuts, as outlined in the budget control act of 2011, resulting in an additional 5.1% operating funding loss for NYCHA. Together the pro-ration of 80% and the sequester of 5.1%, or 75% effective pro-ration, will cause NYCHA to lose $253 million in operating fund subsidy for the calendar year 2013, as compared to full eligibility or $150 million less than the operating plan, which was based on House and Senate appropriation bills. The effect of sequestration on NYCHA Section 8 program is in equally dire and may impact the 92,560 families in our program. Currently, HUD has prorated the housing assistant payment subsidy by 94%, reducing NYCHA's subsidy by about $50 million for calendar year 2013. This dramatic cut cannot be absorbed by NYCHA's current reserve levels and jeopardizes subsidy to our existing families. Additionally, HUD has prorated the administrative fee which is used to support administration of the Section 8 program by 69%. Similar to operating fund, administrative subsidies as introduced by the House and Senate appropriation bills was already $23 million less than eligibility. Together with sequestration, NYCHA is estimated to lose an additional $10 million in administrative subsidy for calendar year 2013. To address the funding reduction, HUD has distributed guidance to public housing authorities suggesting lower payment standards, review of utility allowance, adjusting portability and move policies. While the continuing resolution and sequestration impacts are not reflected in this plan, their combined effect is a loss of over $300 million in operating funds. And they speak further to the volatility of our funding and how that makes efficient and effective planning difficult. The additional funding loss they present would result in layoffs and service delays, direly affecting the services we provide to our families. Public housing is too vital for us to advocate our efforts, to strengthen and preserve it for the coming generation of New Yorkers. Since 1934, NYCHA has been here for our families, our communities and our city, serving as a rock of stability in times of both bust and boom. Together, NYCHA residents, elected officials and our many other partners are responsible for continuing New York City—excuse me, for continuing NYCHA's legacy as an indispensable part of New York City, one that makes it a vibrant, thriving place. The specter of continued under funding requires all of us committed to this crucial cause to stand together in pursuit of solutions, even those that are bold and new. As I have said before, inaction is not an option and we need support and assistance from our stakeholders. In 2012 the City Council committed $10 million for plan years 2012 and 2013 to help NYCHA hire 176 temporary positions to address maintenance and repair needs. Hiring was through NYCHA's resident training program partnership with the Robin Hood Foundation, providing employment opportunities for public housing residents. This commitment is an excellent start, but our need remains great. While this budget does not assume continued funding in 2014 until 2017, NYCHA requests that the City Council renew its funding commitment throughout the five year plan, a $10 million commitment annually, allowing us to maintain these positions into future years. NYCHA greatly appreciates the City Council's commitment and will continue working with governmental partners to pursue additional funding opportunities to address critical maintenance and repair needs. I would also like to thank the City Council for helping restore critical services for our youth this fiscal year. As a result of the Council's efforts, 1,218 slots were restored for after school programs and 676 slots were restored to provide childcare services. We're also grateful for the Council's ongoing efforts to support our seniors, such as by providing healthy meals or transportation services at our senior centers. We hope that NYCHA will continue to benefit from the City Council's support for Plan NYCHA initiatives that help generate important revenues. Thank you. I look forward to answering any questions you may have.

CHAIRPERSON MENDEZ: Thank you, Mr. Chair. At the preliminary budget hearing we usually get an update on capital and you said you'll give us that when we do our second budget hearing. When will the capital plan be completed, though?

MR. RIA: Yes, so we would hope to have it completed by May, but it may push into June. And—

CHAIRPERSON MENDEZ: That's not acceptable.

MR. RIA: So it's largely impacted by Hurricane Sandy and our ability to provide, you know, what will be important to the Council, which is a realistic view of our capital needs and resources will be significantly impacted by the Sandy activity.

CHAIRPERSON MENDEZ: Okay. But we

will be getting an update and a report on what's going on and you'll be prepared to give testimony in May on the capital plan?

MR. RIA: Absolutely.

CHAIRPERSON MENDEZ: Thank you. If we could start with the rent equity policy. First of all, I forgot to say that we've been joined by my colleagues Margaret Chin from Manhattan who's a member of the committee and Letitia James from Brooklyn who isn't officially a member of the committee but she's always here. So I'm going to ask a few questions and then I'll turn it over to my colleagues if they're ready. Right, and Council Member Halloran was here briefly. He's at another budget hearing and he'll be back and forth. How many people did NYCHA project was paying less than 30% when NYCHA started its rent equity policy?

MR. RIA: There are approximately 47,000 flat rent households that are paying less than 30%.

CHAIRPERSON MENDEZ: 47% when you first—

MR. RIA: No, 47,000.

CHAIRPERSON MENDEZ: 47,000?

MR. RIA: Correct, out of 180,000.

CHAIRPERSON MENDEZ: That is when you first started your—this predated you, Mr. Chairman, right?

MR. RIA: Yes, I think the number has been consistent, yes.

CHAIRPERSON MENDEZ: What was the projected revenue loss at the start of this policy?

MR. RIA: We would have to get—I would have to get you a number in terms of at the start of the policy if you're saying going back to 2006 or whenever the first—but that does go all the way back or is that currently? Okay. Actually we do have that number. So going all the way back to 2006 is $225 million annually.

CHAIRPERSON MENDEZ: Excuse me. $225 million annually was the revenue loss?

MR. RIA: Correct.

CHAIRPERSON MENDEZ: And when you initially implemented it, what was the revenue that was realized from—starting off with the rent equity policy?

MR. RIA: Yes. So we have the numbers of what it will generate in our current plan. If you want us to go back and get the information, we can provide it to you.

CHAIRPERSON MENDEZ: And I think it was in your testimony but could you tell us what that number will be that it will generate?

MR. RIA: Correct. So in the plan over the five year period it will generate an incremental $169 million for NYCHA.

CHAIRPERSON MENDEZ: And if you can get us the numbers for the prior years?

MR. RIA: We will.

CHAIRPERSON MENDEZ: Thank you. Can you tell us how long this phase in period will be? I'm assuming the goal is to get everyone to 30%. Is that correct?

MR. RIA: Well ultimately that is the goal. Although this phase—this current phase in that we're proposing will happen over a five year period, so that it's incremental and that the one-time impact on families is minimized. However, it will not get every single family to the full 30%. If we were to continue the increases beyond the five year plan period, ultimately all of the families would reach the 30% level. But within this five year time horizon, to minimize the impact, not every single family will reach the full 30%. So there will be opportunities in future years and in future plans to continue the incremental increases on the rent equity policy until all families reach that 30% threshold. So in other—said another way, if we wanted to get all the way there in five years, the increases would be even larger on some families.

CHAIRPERSON MENDEZ: In terms of sequestration, what would this mean in terms of any headcount loss?

MR. RIA: Okay. That's a tough question. Right now we're talking about sequestration in dollar terms, as opposed to in decisions on how we will manage NYCHA's overall budget to deal with those dollar realities. So if I just give you some of the numbers. Currently with both the sequestration and the lack of a budget deal, the operating fund for public housing alone will be hit by $150 million. If you put it into perspective, our total wages and salaries paid in NYCHA are close to a billion dollars, so that's a 15% kind of an increase on our wage line. If you look at it in terms of how much money we spend against the maintenance and repair effort, that's about a half a billion dollars, so $150 million against a half a billion dollars of people and—who are performing maintenance and repair activity. So no matter how you measure it, on total headcount, on the headcount that's really, you know, specifically focused on activities like maintenance and repair, which are critically important to the Plan NYCHA initiatives and the commitments that we've made as an administration. The $150 million at the operating line is a huge number. We would not, obviously, get there solely through headcount actions. We would need to look at every component of NYCHA's expenditures, including contracts, third party spending, even component of our $2 billion portfolio of expenses on the public housing side. In addition to the public housing side, there's roughly $14 to $15 million in capital that would be lost as part of this. That would obviously mean certain projects would move forward. We obviously would look for opportunities to squeeze the cost of expenses of those projects. But to the extent that they've already been bid out, there are certain projects that we might not be able to move forward with. And then most concerning is on the Section 8 side, given we don't have substantial reserves, we actually have less than one month reserves in our section eight portfolio today, which is below our comfortable level. The actions that HUD is directing housing authorities to take in order to manage within the sequestration cuts are things that have a profound impact, not only on the resident themselves but on the landlords as well, things like reducing our payment standards all the way potentially down to 90% of fair market rents, as well as reducing portability and other things that are obviously somewhat draconian as it relates to the impact on individual families and on landlords who support the Section 8 program. Our goal, obviously, would be to preserve every single family's tenancy and to not cut people off of the program, but that will require substantial actions on our part in other areas that will be equally painful.

CHAIRPERSON MENDEZ: Thank you, Mr. Chair. We've been joined by Council Member Maria Carmen Arroyo from the Bronx and I'm going to turn it over to Council Member Chin for questions.

MR. RIA: Thank you Madam Chair. Good morning, Chairman. First I wanted to ask this question as new testimony on page seven. Can you explain again, why does NYCHA have to pay these kind of city administrative services, such as sanitation? Can you explain those payment in lieu of taxes, what are they? I mean, yes NYPD service and water usage. And what are those costs to NYCHA every year?

MR. RIA: I mean, I—when you say can I explain it, I mean, we pay them because it was negotiated by our predecessors that that was an appropriate set of activities for NYCHA to support in lieu of a set of services that we receive and, you know, that's the best description I can give to it.

CHAIRPERSON MENDEZ: Mr. Chairman can you take it one by one? Can we go through sanitation first, then pilots, then NYPD services and then water please?

MR. RIA: Okay. Just in terms of the breakdown of the numbers?

MR. RIA: Well also like what are the services explanation and also, yes, what's the cost and you said that it's going to grow an additional $60 million. I mean, so what's the cost now? I see it in your—

MR. RIA: Okay, so the pilot. So payment in lieu of taxes in the 2013 fiscal year budget is $28.5 million and that is what—just like it sounds. It's the pilot payment, since NYCHA as a governmental entity, public benefits—not for profit public benefit corporation, we don't pay taxes, like a private—like some private landlords do because—let me finish.

MR. RIA: What does that mean, though?

MR. RIA: I'm sorry.

MR. RIA: Are you paying for the land? I mean, that's what a lot of pilot programs are for. Are you paying for the land that NYCHA is on?

MR. RIA: All right. So there are property taxes that the city collects from other landlords and those property taxes go to support all of these services that we, as New Yorkers, value.

MR. RIA: Okay.

MR. RIA: And so since NYCHA, as a not for profit landlord, doesn't pay those taxes to the city as a government entity, doesn't pay taxes to the city. We pay a pilot, a form of payment in lieu of not paying property taxes. That adds up to $28.5 million this year and it grows to $34 million in fiscal year 2017. So roughly a $5 million to $6 million dollar increase.

CHAIRPERSON MENDEZ: Can you repeat that again? You're paying $28.5 million?

MR. RIA: $28.5 million and it grows to $34.3 million over five years—well, four years, actually, four years. And the fifth year would be $35 million flat. It's beyond this plan time horizon, right? Yes. But it would be $35 million. The NYPD—

CHAIRPERSON MENDEZ: And that goes according to our fiscal year, right?

MR. RIA: No, this is NYCHA's—

CHAIRPERSON MENDEZ: This is your calendar year?

MR. RIA: This is our calendar year, yes. It's our calendar year. The next line item, which is the largest line item, is the NYPD subsidy which is, again, defined as payments to the New York City Police Department for services above baseline, and that's $70 million and we have that consistent throughout the budget. The—

CHAIRPERSON MENDEZ: Mr. Chair, I've been, for years, asking what those services above the baseline are. I have yet to get that answer or a reasonable answer.

MR. RIA: There is a report that we can share with the Council that is prepared by the NYPD for NYCHA on an annual basis.

CHAIRPERSON MENDEZ: And you will highlight what's above line? Services above—

MR. RIA: I will provide the report to you.

CHAIRPERSON MENDEZ: Okay.

MR. RIA: The next large item in this—well actually, I misspoke. The largest line item in here is for water. I actually thought this was the total. Unfortunately it's not. It's $182 million or $183 million in fiscal year '13. And it grows to $237 million over the plan period, $182.9 or $183 million, growing to $237 million over the planned period. So the combination of those things—and there's some dribs and drabs in there but the combination is $283 million today growing to $344 million in 2017.

MR. RIA: What about sanitation?

CHAIRPERSON MENDEZ: I apologize. That is what? What those numbers were for water?

MR. RIA: No, water was $183 million in 2013, growing to $237 million in 2017.

CHAIRPERSON MENDEZ: And what do you have under sanitation?

MR. RIA: It's not very large, relative to those numbers. It's, you know, it's less than a million.

CHAIRPERSON MENDEZ: Can you tell us exactly?

MR. RIA: Sure, I could give it to you exactly. It's $745,000 and we don't have it increasing.

CHAIRPERSON MENDEZ: That's for

sanitation?

MR. RIA: That's correct.

CHAIRPERSON MENDEZ: I mean, the reason I'm really curious about this is that I like to see how this compare to other private developments that are also, you know, do they pay for NYPD service? Do they pay for sanitation? I don't think so. So I just say why is NYCHA having to pay all of these services. And then the pilot program, I would like to see if other nonprofit organizations, do they also have to pay something like this, if they don't pay property tax? So that's something that I think maybe Chair—we—I mean, the City Council, we want to look at that. And I think that NYCHA needs to look at that, too. Are you being treated fairly? Why are you paying all of these extra for city services, where other, you know, big development are not paying for them. So that adds up to a lot of money.

MR. RIA: Obviously, the numbers are the numbers and, you know, their increases, you know, our sister agencies have increases just very similar to the ones that I described, in terms of, you know.

CHAIRPERSON MENDEZ: But do you think that NYCHA should be charged some of these expenses like NYPD? I mean, wouldn't it be above baseline? I mean—

MR. RIA: As I said, you know, I think—

CHAIRPERSON MENDEZ: Mr. Chairman—

MR. RIA: People have a wide range of opinions on this and they can be both opinions can be supported. I understand that this is an issue because a large item on our income statement and so we recognize the Council is, you know, we understand why the Council wants to focus on this particular line item. What we've been focused on is trying to ensure that we're getting what we pay for, that the services that we do receive are the services that ultimately are important to our residents. Again, every one of these payments were negotiated many, many years ago with a different set of circumstances.

CHAIRPERSON MENDEZ: Council Member Chin, if you will allow me.

MR. RIA: Yes.

CHAIRPERSON MENDEZ: Mr. Chair, you

said this was negotiated by your predecessors, whom?

MR. RIA: Well I meant not just my predecessors or prior mayoral administration.

CHAIRPERSON MENDEZ: Who?

MR. RIA: Well it depends on which one you're talking about. If you're referring specifically to—

CHAIRPERSON MENDEZ: Tell me all of them when they were negotiated?

MR. RIA: Okay. '94/'95 with Mayor Giuliani on the NYPD. The pilot payments predate that. They've been—

CHAIRPERSON MENDEZ: Well let's just talk about police for now and then let's go back to the—so the police was negotiated in 1995. That was the first time?

MR. RIA: That is correct.

CHAIRPERSON MENDEZ: With Mayor Giuliani and whoever was the chair then. And that was done in the form of MOU I know. Am I correct?

MR. RIA: That is correct.

CHAIRPERSON MENDEZ: Okay. And does the Authority have the ability to renegotiate this?

MR. RIA: So two things, number one, it was done in two things. It was a merger of housing police department—the housing authority police department. HAPD merged into NYPD and became the housing bureau of the NYPD and it is governed by an MOU, an ongoing memorandum of understanding which is perpetual. There's no termination period.

CHAIRPERSON MENDEZ: Why is that?

MR. RIA: I mean, again, I'm not going to Monday morning quarterback why it is the way it is. It was appropriate at the time for those who negotiated it. But many MOUs are perpetual in nature. It doesn't mean it can't be broken. It just means that there's no—it's an evergreen. There's no kind of discussion of severing the agreement.

CHAIRPERSON MENDEZ: Okay. And in terms of the pilot sanitation and water, those were done by MOU?

MR. RIA: I would have to look at that. I think the pilot is a longstanding convention, not just here in New York City but, you know, amongst municipal—amongst governmental entities between one another. Well, yes, all PHAs around the country pay some form of a pilot. How their calculated, what the base is, you know, varies obviously from jurisdiction to jurisdiction, and not just PHAs but other—there are other entities that also pay pilots.

CHAIRPERSON MENDEZ: Mr. Chair, and I'm sorry Council Member Chin, I just want to get some clarity on this and I'll turn it back over to you.

MR. RIA: Like Battery Park City pays a pilot to the city, as an example.

CHAIRPERSON MENDEZ: Okay. In terms of sanitation, it was the testimony of some of your predecessors that the sanitation payment you're making is actually additional services, in that if sanitation pickup happens in a certain borough twice a week, you're having sanitation pick up three or four times in some of your developments. Is that correct?

MR. RIA: Yes, that is correct.

CHAIRPERSON MENDEZ: And can you provide to this committee the name of the developments that are getting those extra pickups and the days?

MR. RIA: Sure, I can.

CHAIRPERSON MENDEZ: Okay. And when can we expect that?

MR. RIA: It shouldn't take us very long. We can get it to you in a couple of days.

CHAIRPERSON MENDEZ: Okay. Council Member Chin?

COUNCIL MEMBER CHIN: Okay. I mean, the reason I'm asking those things, I just want to make sure that in terms of NYCHA, you are getting the services that you pay for and so why are you paying more for services that are like NYPD. Just compare a lot of large development that we have in the city. They don't pay for all of these extra services, or they don't pay for policy service because they already paid for it through their taxes. The other question I have is on your other testimony on page three, when you talk about the ancillary revenues that you're going to be generating and you lump it all together, you know, increased commercial incomes. And then you talk about leasing NYCHA property to developers. So that's part of your infill plan which we'll have another hearing on. So you're projecting that with all of that, raising parking fee, commercial income, that you will be able to add another $30 million annually by 2016?

MR. RIA: Yes. The $32 million is just for the infill plan alone. So there are other items beyond that. There's, you know, advertising. We have—

COUNCIL MEMBER CHIN: How are you moving along? I mean, have you started doing an advertising program to generate revenue? Have you put up any—sold any advertising space?

MR. RIA: Well as you can imagine, it's given—it's a completely new initiative. It requires a lot of both analysis around what is the size of the opportunity? Where are there particular parts of the advertising and sponsorship marketplace that are particularly advantageous for NYCHA? So we've done all of that work with a company called Publicist and some others and we've been able to narrow our reference point of where we think the opportunities are. The second piece of it is there would be—NYCHA would need enabling legislation to allow it to pursue this. So we've begun just very initial conversations at this point to understand is that possible? Is there support for that legislatively, both locally here and principally here in the city? And then we need to implement a pilot and we have designed what that pilot will look like and where we would propose to implement it in order to actually test and prove out what we believe to be the opportunity. And only after that, with substantial consultation with residents and elected, and seeing what the results of the pilot would be, we would then look to expand it NYCHA wide. But there are clearly some very sizeable opportunities from a financial standpoint. Just again, looking at the pure financials, there is a very large opportunity for NYCHA to achieve annual incremental revenues through an advertising and sponsorship program. And other governmental entities like the MTA have pursued an advertising strategy which has led to substantial, annual revenues that they didn't previously have.

COUNCIL MEMBER CHIN: So do you

have like an estimate of how much revenue you—

MR. RIA: We do. In our first year we projected $20 million which would kick in, in 2014.

COUNCIL MEMBER CHIN: So how did you come—

MR. RIA: I'm listening. Go ahead.

COUNCIL MEMBER CHIN: Okay. So how did you come up with the 430 million from leasing the land? What is that based on?

MR. RIA: So the $30 million is based upon the intention of the infill program is not to sell the land, but to enter into a long term 99 year ground leases. And the ground leases therefore would pay an annual rent to NYCHA from the developer and the owner of the building, of the improvement. They don't own the land. they own the improvements to the land, which is the building itself. And for operating that building on NYCHA property they would pay us a ground lease. That $30 million that we have projected is a reflection of those ground leases on the sites that we're proposing as part of this infill plan.

COUNCIL MEMBER CHIN: So this year

you're talking about the sites that are in Manhattan?

MR. RIA: So again, it's not in 2013. It kicks in, in 2014 and it's basically—and so I was going to say it kicks in, in—the first year we have money in the budget is 2015 and it grows to $30 million by the plan period.

COUNCIL MEMBER CHIN: But what is that based on, though? That's based on your projected land value and then cost per square feet?

MR. RIA: That's exactly what it's based on, right. So it's based upon looking at, you know, where is the land? What are comparable prices being paid, on a square foot basis, for that land in those areas? And then looking at the structure that we're proposing, which is an 80/20 structure, and then how that would accrue to NYCHA in terms of a ground lease, in terms of rent payments. And so yes, it's based on the value of the land that's comparable transactions which ultimately would be supported by appraisals for every single one of these sites.

COUNCIL MEMBER CHIN: So the $30

million right now is just—is not based on real numbers?

MR. RIA: Well it is based on real numbers, meaning if you're asking is it based upon if we put out an RFP and have developers responded to that RFP and actually given us figures and prices that they're prepared to pay? And if that's what you mean by defined as real numbers, then the answer is no. If you're asking is it based upon real analysis of comparable transactions and rents that are being paid for similar land, in similar neighborhoods, for similar types of residential buildings, then the answer is it is absolutely based on real numbers. And we have confidence that we should achieve that or more.

COUNCIL MEMBER CHIN: Okay. I think, well, I would really like to see some of those numbers because in our briefing we have not seen any, in terms of how you come up with the land value and what the income that you're projecting, because you're just basing it on 80/20 and that might not be the model that ultimately will end up.

MR. RIA: Well we can say this. So it's based upon comparables and it's based upon appraisals. And we have every intention of maximizing the revenue from those sites. That's what the infill project and planned strategy is all about. If some other structure is ultimately pursued for a various set of reasons that actually reduces the revenue to NYCHA, well then that's, you know, those are a set of decisions that are made. And we will value what each one of those tradeoffs cost NYCHA and what each one of those tradeoffs cost NYCHA residents, in terms of improvements to their public housing apartments.

COUNCIL MEMBER CHIN: Okay. Madam Chair, that's all I have right now.

CHAIRPERSON MENDEZ: Thank you. We've been joined by Council Member Gail Brewer from Manhattan and now Council Member Arroyo.

COUNCIL MEMBER ARROYO: Thank you, Madam Chair. My apologies for my tardiness. The FDR was an absolute mess. Mr. Chairman, nice to see you and your staff. I had the pleasure of meeting your new general manager, Mr. House. I like your name. Your name is House. You're in housing. That's interesting. And I want to follow up on some of the usual questions that I ask, my concern about the effects of the storm and the capital upgrades in NYCHA. But I'll start with the backlog of repairs and there's a plan to complete all of the repairs by the end of this year. Are tenants aware where they're at in the queue of the repairs?

MR. RIA: So I'm going to ask GM House, particularly since you like his name, to take this one, since he's been leading the day to day activity on implementing our plan.

MR. HOUSE: At this point we have not modified the schedules of appointments of residents as they called in to the call center, so they have the original times that they originally scheduled. As we move through the year and we free up capacity, we will start to call residents to reschedule their appointments to an earlier time during the year, but we're not at that stage just yet. We'll be doing that in the next month or so.

COUNCIL MEMBER ARROYO: So when I visit the developments, I should not tell them that you're expecting to have all of the repairs done by the end of the year?

MR. HOUSE: Well, you should tell them that. But we're very concerned about fairness in this process, so what we don't want to happen is for someone who called months ago for an appointment and got a date that's a little bit further out to have their date be, you know, a month or so down the road and then someone that just calls get an earlier date. So we want to try to keep appointments in order to ensure fairness to residents as their issues arose. But we intent to get to all of them before the end of the year.

COUNCIL MEMBER ARROYO: Is there a development by development plan or is it your guys are running all over the city to address the issues, you know, because someone from Patterson Houses may have called a year ago and someone from another borough. How do you line that up and do it efficiently and effectively if—so are you looking at it on a development by development basis, so that you go into a development and you deal with all of the repairs that are needed in a development at a time?

MR. HOUSE: No, that's not the approach that we have. We did some of that last year with our work order task force and we had a lot of lessons that came out of that process. But that's not the approach that we're taking this time. What we're trying to do is to establish a sustainable repair and maintenance program that will serve the Authority well, well after this initiative is done. So we're not trying to do a short term program. We're doing a long term program. And the idea of having our maintenance and repair crews running all over the city is something that we're trying not to do. We're trying to actually make them stable and in locations where they can be the most effective. So we're trying to ensure that we have the right level of staffing at our developments, based upon the needs of those developments as we move forward. And as the year progresses, as we get better and better at efficiency and closing work orders, then we'll make sure that we've got the right level of staffing at all of our developments.

COUNCIL MEMBER ARROYO: So how much

is the 73,000 outstanding work orders costing the Authority? Do you have a—do you know a dollar amount? I understand the mikes pick up the whispers.

MR. RIA: Nothing that you can't hear. We're just trying to—

MR. HOUSE: The challenge is we're doing—the 73,000 work orders that we're doing, we're doing them at the same time that we're doing our day to day work. And so to pick out those 73, so that's backlogged work, but we also create 10,000 work orders a day. We're closing significantly more than that each day. And so to cut those costs on a pro work order basis, based solely on the backlog is not practical and I wouldn't have a high degree of confidence in that kind of a number.

COUNCIL MEMBER ARROYO: Okay.

MR. RIA: I mean, it would really just work out to a bunch of averages and it really wouldn't tell you anything other than, you know.

COUNCIL MEMBER ARROYO: You don't know what the average work order costs you?

MR. RIA: It's not that we don't

know. There's really no such thing as an average work order. I mean, we could take the total spend, and we could divide by the number of work orders completed, and we could give you a number. But that's not really—it's not going to tell you anything.

COUNCIL MEMBER ARROYO: Okay, I'm going to disagree and I'm going to leave it there. I think, you know, there are very consistent problems that get called in, a leak in the ceiling, plumbing backup. I mean, there should—given the amount of work that you do to address all of these ongoing issues that, you know, what it costs you to address problems [crosstalk] so I don't understand why you don't know what that average is.

MR. HOUSE: Right. So just let me just give you an example. But just we'll just give you an—it's not that we don't know what the average is, we said that we're happy to give you the average. We're just saying that we don't think that that's going to tell you anything as it relates to a management matter. So a carpenter that shows up at Baruk [phonetic] Houses who gets there because they traveled from a one building in Baruk to another building in Baruk. As soon as they arrived, the materials that they needed to perform their job was waiting for them. The tenant was home immediately, allowed them the access to the apartment. They didn't experience any difficulties. They get in and they complete that carpentry exercise, close out that—they send that work order into the office. The office closes out that work order efficiently. Then a carpenter who travels from Baruk to Smith, right, so travel time is a lot more. He or she arrives at that location. The materials aren't available. They've got to send all over to, you know, different places in the city and assure that the materials actually get there. They sit and wait for two hours, or even worse, they don't get the job done that day. They have to come back the next day. They don't have all of the materials they need even after they show up and get a material order. They finally complete the job and the resident lets them into the apartment to complete the job. They send the ticket to be closed out. The ticket sits there on a desk for a while. You add up that total time cost, the same exact repair job, two different actual sets of activity and experiences. One repair ticket is going to cost you $5,000. Another repair ticket is going to cost you $500.

COUNCIL MEMBER ARROYO: It sure sounds like a lot. Apparently there's some dysfunctional aspect to the issue of addressing repairs. Everything that you just described gave me a sense of anxiety. Have we looked at why there is such a degree of difference? And what are you doing to take some of that dysfunction out of the process?

MR. HOUSE: That is actually what the action plan is all about.

COUNCIL MEMBER ARROYO: You control whether supplies are there or not?

MR. HOUSE: Absolutely.

COUNCIL MEMBER ARROYO: But if a tenant is available or not is something that I guess we can talk about separately.

MR. RIA: Well, we're working on that, as well.

COUNCIL MEMBER ARROYO: And we are

certainly willing to work with you on sending out a message to our constituents and your residents. But the issue of supplies not being available when a plumber shows up or when a carpenter shows up, that's within your control?

MR. RIA: Absolutely, and that's what the action plan is, and that's where Mr. House answered it when you said, "How are you attacking this? Are you attacking it by building?" And he said, "No, we're attacking this"—

COUNCIL MEMBER ARROYO: Not by building, by development.

MR. RIA: By development. When he said, "No, we're attacking this systemically," is all the things that you just described are real, specific action items in the overall action plan. How do we improve material availability? How do we reduce, improve wrench time, and reduce travel time? So when you asked about, and he described, making sure people aren't running all over the city, each one of those things that we're working on, reducing the number of tenant not at homes, because we actually proactively manage that with our residents. Each of those things are what's driving the 73,000 reduction, and they're going to continue. They're going to get better and better, and tighter and tighter around each of those things, as we work through eliminating the backlog by year end. And as he said, and then we'll continue going forward as a better capable organization to address maintenance and repair long term, as opposed to we threw a bunch of money and more resources at an action plan.

COUNCIL MEMBER ARROYO: So is it conceivable that we can have a hearing in January, right, and you're going to come back and give us an incredible report that you've been successful in addressing the backlogs while maintaining the ongoing needs?

MR. RIA: We'd welcome that.

MR. HOUSE: Absolutely.

COUNCIL MEMBER ARROYO: Assuming we're all here, of course, right?

MR. HOUSE: Well, we look forward to presenting the service level of our 7 to 15 days average.

COUNCIL MEMBER ARROYO: Okay. So

I'm not going to beat a dead horse. In terms of one of the challenges that I confront is that I don't understand what the needs of the developments in my district are. And given what's happening now with redistricting and we're going to be introduced—well certainly I am—new housing developments into the district that I represent. Do you have a full assessment of what is necessary in each development, and primarily the repairs that keep those perpetual work orders coming in, leaks in the roof, in the ceilings, in the bathrooms. We go into the developments and we're looking at and listening to the tenants, and they want a barbecue area. They want security cameras. But what about those infrastructure issues that are continually driving that ongoing repair issue, like plumbing, roof repair?

MR. HOUSE: Council Member, in our last meeting, you gave us a great, great suggestion of going around and meeting with council members that have developments in their districts, and presenting our physical needs assessments and the capital plans for them as we go forward, so that it would allow them to actually get ahead of the capital planning and budgeting process, as well. And so our team is actually working on putting that together and working to get those meetings scheduled, so that we can get out and share that information broadly. And I think it will allow us to actually make the decisions that you're talking about.

COUNCIL MEMBER ARROYO: And I think what's important is that we're on an annual cycle. This is an ongoing conversation for us, so that we should understand what the needs of each development are, so that we can, working with the tenants and the Authority, be part of that solution. So that we have to understand, what is the priority in the development, so that if we have a number of units affected by water leaks, for example, then maybe that's what we should be focusing money on, while we work on the security issues because we don't know what's behind the walls. But the complaints that we get are primarily around repairs that are necessary. They come in. They paint the wall. In a month, the stain is back. The ceiling is caving in again, and it just goes on and on. So it just seems to me that we're throwing money, good money, away, if we're not looking at the infrastructure issues that are affecting the conditions in the apartments that our residents live in.

MR. HOUSE: And I think with this action plan, we actually are definitely doing that. There's a big focus on the infrastructure impacts that actually cause. So we're not just looking at the symptoms of the problems that arise through a resident complaint. We're looking at the underlying cause, if it's a water issue, whether it's a roof or a wall penetration, and we're working to make sure that we address the underlying cause, because we know fixing a repair multiple times is more expensive, generally, than fixing it right the first time.

COUNCIL MEMBER ARROYO: Not to mention frustrating because the residents are left with the impression that we really don't know what we're doing.

MR. HOUSE: Right.

COUNCIL MEMBER ARROYO: And we can't blame them for jumping to a conclusion that might actually be true, because it seems to be a perpetual thing happening. If you fix the same ceiling in the same apartment over and over again, it just makes no sense.

MR. RIA: So we think there's a lot of value in what you're proposing, in terms of walking through the physical needs assessment. I think that more information and knowledge on both sides, residents understanding the tradeoffs we are making, why we're making them, and us learning which tradeoffs are most important to them for us not to make, can be helpful. I do want to push back just a little, though, about we don't know what we're doing. We can get that—

COUNCIL MEMBER ARROYO: I didn't say you don't.

MR. RIA: No, I was just saying, we can get better.

COUNCIL MEMBER ARROYO: It's just the perception that tenants are left with.

MR. RIA: I know, and that's what I say. Information on both sides would be better. And Mr. House is right. We want to make sure we're addressing root causes and not symptoms. But one of the things that this exercise will elucidate very clearly is the gap between what the PNA says is required in order to get their building to a state of good repair. And the money that we have to do that is woefully inadequate, and so many of these tradeoffs doing things, you know, we do have a responsibility to kind of fix the symptom if we can't address the root cause. If we have to patch something up, you know, because it's just egregious, and we even know that we'll be back in a year, right? But that's all we can afford to do. Then you now what? We have a responsibility to patch it up and come back in a year.

COUNCIL MEMBER ARROYO: Well I just think that it's more—it's less stressful if we understand what the needs of the development is or are, and that we engage tenants in that conversation, so that as they approach me, as a member, or my colleagues, to ask for capital money for one thing or the other, that we're part of that conversation, so they can come to a conclusion about what they see as a priority for their development.

MR. RIA: Absolutely.

COUNCIL MEMBER ARROYO: And not, you know, NYCHA and the administration doing some exercise, and we hearing them. And they don't understand that there are greater needs that might require for us to shift funding for capital projects.

MR. RIA: Absolutely. We agree.

COUNCIL MEMBER ARROYO: So I'm looking forward to that ongoing conversation, because we can get a lot accomplished. We understand that you don't have all of the funding that you need, to address all of the infrastructure needs that you have throughout the system. But when we pay attention locally, we can certainly be very helpful with that exercise. And I cannot ask you to do it. I mean, you have to do it quickly, so that as we go in—I'm meeting five tenant associations next Saturday. Presumably those new developments are coming into the 17th Council District. I would like to go out with a sense of what the needs, from your perspective.

MR. RIA: Okay. We'll make that happen.

COUNCIL MEMBER ARROYO: So if I

give you what their perspective is, and kind of meet somewhere in the middle of it.

MR. RIA: Okay. We'll work on that timeline.

COUNCIL MEMBER ARROYO: I look forward to that.

MR. HOUSE: And we appreciate that feedback.

COUNCIL MEMBER ARROYO: I'm going to shift to the rent equity policy, and I know that the Chair has—

CHAIRPERSON MENDEZ: Council Member, one second. Can you provide to this committee a list of those assessments per counsel district, and the schedule of meetings that you're going to do with the council members?

MR. RIA: Yes, so we have all of those physical needs assessments, so it'll be all of the developments, and we can list it, obviously, by council matic district. We still need to set up those meetings, and so I guess we—

CHAIRPERSON MENDEZ: When that's done, can you provide it to me, to the committee?

MR. RIA: Absolutely.

CHAIRPERSON MENDEZ: Thank you.

COUNCIL MEMBER ARROYO: You don't have to meet with me. Just send them to me, so that as I go out to meet with the folks at McKinley and Forrest, and Claremont, Franklin, and Bronx River, who are four of the five that I think are coming into the district, that I have that information, so that when I sit with them next week, we can have a broader conversation than just cameras and barbecue areas.

MR. RIA: Right.

COUNCIL MEMBER ARROYO: Which is their perspective.

MR. RIA: So we will warn you in advance, those numbers will be big.

COUNCIL MEMBER ARROYO: That's okay. I understand that.

MR. RIA: And the amount of money allocated to address those issues will be small, and you will have to—

COUNCIL MEMBER ARROYO: Well, maybe and maybe not, because if we do it in a comprehensive way, we can adjust the allocations accordingly, depending on what the priority is.

MR. RIA: Okay.

COUNCIL MEMBER ARROYO: And my point is that we've never really engaged in that conversation.

MR. RIA: I agree.

COUNCIL MEMBER ARROYO: And I hope that we've learned something from the exercise that you've went through about the cameras and the security system, so that now I understand that $250,000 allocation for Patterson Houses is useless because you can't do anything with it. You need so much more.

MR. RIA: We understand what you're saying and we will work with you. We will get it to you timely and then as much conversation as you want to have, we can have.

COUNCIL MEMBER ARROYO: Thank you.

MR. RIA: Yes.

COUNCIL MEMBER ARROYO: On the rent equity policy, it will only affect 28% of the households, which is this—and you state in your testimony, $169 million between 2013 and 2017. $169 million assumes rent incomes remain flat. Is that an appropriate assessment?

MR. RIA: Yes, we have not made any assumption about, yes, that those 47,000 households will have income growth. So it doesn't reflect whether the incomes go up or down. We've assumed that the income they currently have today is the income they would have currently have today is the income they would have in the future.

COUNCIL MEMBER ARROYO: Why is it taking four or five years to implement?

MR. RIA: We're just trying to lessen the sting of implementing it all as a one time increase on households.

COUNCIL MEMBER ARROYO: So if they're at 15% now, you do 5% over the course of the five years and you bring them to 30%? I don't understand.

MR. RIA: That's roughly the goal, although I guess I stated before you got here, at the end of the five years, not every single one of the 47,000 will be at the full 30%. You know, they may be at 25%, or 23%, or 29%.

COUNCIL MEMBER ARROYO: But they will go to 30%?

MR. RIA: But in subsequent years,

after this five year plan, assuming that the management team deemed it appropriate to continue moving them toward that 30%, which is the stated policy of the rent equity strategy and plan, is that beyond this plan year, those who are still not at 30% would have continual increases until they got there.

COUNCIL MEMBER ARROYO: Okay. Thank you, Madam Chair.

CHAIRPERSON MENDEZ: Thank you. Council Member Brewer.

COUNCIL MEMBER BREWER: Thank you very much. I'll stick to the budget issues on the infill. So last night, as you probably heard, Brian Holden kindly came, but we have hundreds of people upset at Douglas Houses. My question regarding the $30 million, does that assume that that's completely market rate development, that $30 million?

MR. RIA: No, we've not assumed that any of the infill projects are complete market rate developments. We've assumed that they're 80/20's, 80% market rate, and 20% affordable, to 60%, up to families earning 60% of

AMI or below.

COUNCIL MEMBER BREWER: Next, you're going to be tied up in court on that forever, but that's a different discussion. Second question is, why is there money now for doing the work orders and not before?

MR. RIA: Well, a couple of reasons. Number one, we took, as this City Council is very aware of, because we had a hearing where we went through the work we were doing around Plan NYCHA and through the BCG cost reduction exercises. We described a substantial effort to reduce our central office costs, and to redirect those monies to our frontline maintenance and repair, and property management activities. So there's $30 million that's realized as a result of those initiatives, as well as the $10 million that the City Council committed last year.

COUNCIL MEMBER BREWER: I am aware of that.

MR. RIA: And together, that is a meaningful increase. But the real answer beyond that, or the bigger part of the answer, is that there's another $500 million that we spend in maintenance and repair activity annually, and we're becoming much more efficient, as I was describing to the council member, on ensuring that that staff and those expenditures are deployed more efficiently. And so if we do that 10% more efficiently, that's like getting another $50 million on $500 million, so that's where we're generating the "incremental money" to support this activity.

COUNCIL MEMBER BREWER: Okay. Now the Daily News had an editorial which was kind of— or maybe it was the Times, stating that if you do this and get it done by the end of the year, you're doing like, I don't know, 3,000 or 4,000 per day. Is that possible to do that, or is that editorial off base?

MR. RIA: Well, I didn't read the editorial, so unfortunately I can't respond to the editorial. I can have Cecil House take you through specifically what we are doing. But when we put the plan out, the back of envelope number was we would need to do 1,000 work orders more than we bring in on a daily basis in order to eliminate the backlog, and we're tracking ahead of that plan. If you want to give some specifics?

MR. HOUSE: Yes, I—

COUNCIL MEMBER BREWER: I don't know how you're going to do it.

MR. RIA: Excuse me?

COUNCIL MEMBER BREWER: I just don't know how you're going to do it. So go ahead. I'm listening. I just don't know how you're going to do it.

MR. HOUSE: I think the piece that I saw in the paper said 1,000 extra, and we actually just published yesterday the status of the number of work orders that are created every day and the number of work orders that we close on a daily basis. And if you take a look at that status report, you'll see on average we are closing more that 1,000 work orders a day than are created, so as a result, we are bringing down the backlog. To put it in context, if you look at the number of maintenance and skilled trade workers that we have on staff, if we're able to make them sufficiently more efficient that they can close one work order additional a day, we actually meet the target.

COUNCIL MEMBER BREWER: And you're using the same skilled workers, right, with the same low bid contracts?

MR. HOUSE: We're using the same skilled workers that are employees.

COUNCIL MEMBER BREWER: The outside ones that you have to hire, you're using the same ones, or you will?

MR. HOUSE: Well, we're focused on using our employees for this effort.

COUNCIL MEMBER BREWER: Okay. All right. Next question is the commercial rent. I understand. I know you're trying to get every possible commercial rent, but wouldn't it make more sense to try to think creatively about having commercial spaces? Obviously you'd have to do something with HUD, instead of trying to do some of the infill. Or do you think you get more money from infill than you would ever get from the commercial on the developments? In other words, instead of building a new building, build a commercial space that would have stores and grocery and those kinds of things.

MR. RIA: Sounds like new buildings

to me.

COUNCIL MEMBER BREWER: Yes, but doesn't sound like high income. I'm just throwing it out.

MR. RIA: Okay, so residents—

COUNCIL MEMBER BREWER: Could have a grocery store.

MR. RIA: Right. So we—

COUNCIL MEMBER BREWER: And a shoemaker, and a little bank, and something besides a high—I'm just saying, you wouldn't be able to do that economically?

MR. RIA: No, it's not what we're saying, actually. We said in Plan NYCHA that we will develop commercial spaces where we have the ability to add commercial overlays, currently by zoning rules or where we don't have it. And it would be warranted to serve residents better, of public housing developments and the surrounding community. We will seek the zoning in order to allow us to facilitate that. So that is actually part of Plan NYCHA, and we have every intention to pursue it.

COUNCIL MEMBER BREWER: You have to

go through HUD to do that or is that just a local zoning issue?

MR. RIA: Well, the zoning issue is local.

COUNCIL MEMBER BREWER: Okay.

MR. RIA: But the HUD component, the federal component is no different than what we're going through for the residential piece, which is Section 18.

COUNCIL MEMBER BREWER: Well, you don't need ULEP [phonetic].

MR. RIA: No. Well, we would need ULEP if we need if we need zoning.

COUNCIL MEMBER BREWER: Right.

MR. RIA: Right, but it wouldn't be—it's not we need ULEP in order for NYCHA to—

COUNCIL MEMBER BREWER: Well let me ask you a question, and then I'll get in trouble with the Chair. But so if you have a new building and that's Section 18, no zoning change.

MR. RIA: Correct.

COUNCIL MEMBER BREWER: And if you put in a store, you need a zoning change?

MR. RIA: Not if it already has a

commercial overlay. So today where we have existing commercial overlay and it's allowed by zoning, we wouldn't require ULEP and we would just go through Section 18.

COUNCIL MEMBER BREWER: Okay. But if it doesn't, then you would have to go through ULEP?

MR. RIA: Correct.

COUNCIL MEMBER BREWER: I hope it doesn't. I'm just saying. The final issue is with the Section 8, and I don't want to belabor it, but we all had lots of discussions about moving people and I feel like it's a long story with the Section 8. But are there still funding implications to people in Section 8 units, and if they have to move and so on? What's the status of the funding issue regarding Section 8 and all of that?

MR. RIA: So I just want to clarify the question.

COUNCIL MEMBER BREWER: All right.

MR. RIA: Are you referring to our overall Section 8 program, or are you referring to the Section 8 units within our public housing complexes?

COUNCIL MEMBER BREWER: Section 8 units within public housing.

MR. RIA: So we still are in desperate need to convert 5,500 units to Section 8 or some other form of subsidy. This plan assumes that we successfully complete that.

COUNCIL MEMBER BREWER: By when?

MR. RIA: By the end of the plan year, right? By 2017, so it's gradually. And we could give you the exact numbers, but it doesn't assume all 5,500 happen in one year.

COUNCIL MEMBER BREWER: Right. I'm sure they're not going to happen in one year.

CHAIRPERSON MENDEZ: Council Member, if you'll allow me.

COUNCIL MEMBER BREWER: Sure.

CHAIRPERSON MENDEZ: These units, many of them should have been converted already, so what has been the obstacle? And what makes you assume that you're going to be able to do it now, within the next couple of years?

COUNCIL MEMBER BREWER: And what are the budget implications?

MR. RIA: Well, so we've made real progress, right? We started with 8,400 and we've converted, you know, 2,900, right, so I mean, that's real progress. Almost 3,000 families, through conversations with NYCHA and their own family needs, and you name it, have converted from public housing to Section 8, and still live in the same units they lived in before. Or we've taken some people who've received Section 8 vouchers and were searching in the market for a place to use that voucher, and marketed a NYCHA unit to them. And they're using their NYCHA voucher in public housing as opposed to some third party private landlord building. So we've been pursuing all strategies.

COUNCIL MEMBER BREWER: It's a very easy answer, but I guess you can't do it. The person wants to stay in their development.

MR. RIA: Right.

COUNCIL MEMBER BREWER: They don't want to move far away, but they can't do it because they jumped the waiting list. I don't know. There's some craziness.

MR. RIA: No, but you're talking

about Section 8 though, right?

COUNCIL MEMBER BREWER: Yes, you're living in three bedrooms, two bedrooms. You're in a Section 8. You want to stay in your development. In other words, the older people want to stay in their developments.

MR. RIA: Well, I just want to make sure we're not confusing two issues, because there's the right sizing issue.

COUNCIL MEMBER BREWER: Right.

MR. RIA: And then the there's Section 8.

COUNCIL MEMBER BREWER: But there's no connection between the two?

MR. RIA: Well, there could be.

COUNCIL MEMBER BREWER: I think there is.

MR. RIA: And we've said that this is one of the things where, you know, we need help from our partners and stakeholders, right? A senior who—or it doesn't even have to be a senior, but seniors make up at least half of the under occupied apartments, but the other half are families or individuals that aren't seniors. If they are prepared to accept a Section 8 voucher, to—

COUNCIL MEMBER BREWER: They want to stay in that development. That's the issue.

MR. RIA: Those are things that we can work with that family on.

COUNCIL MEMBER BREWER: Okay. I'm not going to get into it, but that's where the challenge is. We could clear out 5,500 today if we could figure out a way of having people stay in their same development.

MR. RIA: It's one of the things that we're saying.

COUNCIL MEMBER BREWER: That's very hard to do, Mr. Chair. It is hard to.

MR. RIA: No, but exactly where you were going to, Council Member Brewer, is exactly the work that we need to do over the coming 12 months to put a plan in place to make conversion. And it goes to Council Member Mendez's question, "Why do you think you can actually get the 5,500 done in a shorter time between the plan year, and you haven't done it to date?" It's because we need to take some new actions. We need to move from the series of actions that we took before, which got 3,000 people to convert, to taking a different set of actions to get the balance to convert, and some of it will require us working closely with HUD and putting a Section 8 marketing and admin plan together, as well as getting some potential relief to make the conversion, to facilitate the conversion.

CHAIRPERSON MENDEZ: So Mr. Chair, NYCHA had hundreds of previous plans, had those Section 8 apartments already converted, more than the 2,900, so I still don't understand why we haven't gotten to the numbers that you previously thought you were going to be at. What was the delay in getting there?

MR. RIA: So each of these initiatives and plan NYCHA are substantial, so we're in equity. Nobody likes to have their rent increased. They need to understand, why is my rent being increased when, you know, 70%, 80% of NYCHA residents aren't receiving a rent increase? When we did the federalization to 20,000 units that were formerly city and state, and made them federal public housing, but had to actually, quote, unquote, "put them into limited partnerships with a bank" and quote, unquote "privatize them," that required a lot of conversation. As we pursue the infill strategy, and residents have to understand why NYCHA is pursuing to build new residential units, where they're located, and how that's going to provide money for their capital program. It requires a lot of conversation. So each of these initiatives are large. These are bold and large actions, and so the same thing with the 5,500 conversion. It's not going to be something that people readily understand and sign up for. They're going to have to explain it. They're going to have to understand how you remove the risk to their long term ability to stay in their apartment, and we have to work with our partners like HUD to make sure that the mechanism that we choose to accelerate those conversion activities meet with fair housing requirements, and so there's a lot involved in each of these actions. And so yes, we're moving. We're doing more than one thing at a time, but as has been experienced from each of those things I just described, the amount of resident consultation, the amount of elected official consultation, the amount of HUD engagement, and then the actual just execution, so we don't screw it up, in terms of the impact on our managers and the policy changes, and their ability to communicate those policy changes. And to actually go through and hold the hands of our customers through that process requires a lot for our staff, so that requires training, too. So each of these initiatives are large and important to Plan NYCHA, but we have to be prudent in how we implement them.

CHAIRPERSON MENDEZ: The 5,500 units are certain amount of units within certain developments, all the former city and state, is that correct?

MR. RIA: That is correct.

CHAIRPERSON MENDEZ: That has not changed?

MR. RIA: That has not changed.

CHAIRPERSON MENDEZ: Can you provide to this committee how many apartments and in which developments those would be?

MR. RIA: Sure we can.

CHAIRPERSON MENDEZ: Thank you. Council Member Brewer?

COUNCIL MEMBER BREWER: Oh, just the final question is regarding the back work orders. I know that you're going to give that to us, and then set up meetings. We did have a meeting awhile ago with all of my leaders in my developments. They're very organized. Rosalvo Rodriguez, as you know, has got everybody cracking, but we never got an answer. So we'll resend that letter with what the tenants think are the issues, and then we can compare it. Okay. Thank you. Thank you, Madam Chair.

MR. RIA: Thank you.

CHAIRPERSON MENDEZ: Council Member Chin.

COUNCIL MEMBER CHIN: Yes, just to follow up on your requests. I mean, last year, the council provided $10 million in capital funding, and you hired 176 temporary positions?

MR. RIA: Yes, that is correct.

COUNCIL MEMBER CHIN: Are there any attempt to move some of those into permanent positions?

MR. RIA: We would. It would be our goal, after all of the activity and cost that we incurred to recruit and train, all of the investment in the NYCHA Robin Hood Training Academy that produced many of those hires, it would be absolutely our goal to retain every single one of those employees as full time NYCHA staff. So it really just comes down to whether or not we have the funding.

COUNCIL MEMBER CHIN: Now in your budget you also have downsized from the central staff, right, and to move some of those staff into front line staff that you were talking about? So how many of the central staff did you lay off and how many of them did you transition over to frontline?

MR. RIA: So two things. So just part of your prior question, I just wanted to let you know that, again, thanks. We want to thank you and express our appreciation for the $10 million. Over 160,000 work orders have been closed as a result of those staff being hired. It was 176 heads or individuals. And so we believe we can do a lot more as Mr. House and the team, and the operations team execute against a current plan if we were to retain those workers. In terms of, you know, your second question, would you ask it again?

COUNCIL MEMBER CHIN: Oh, because part of your plan was to sort of downsize your central staff, and then move some of them?

MR. RIA: Right. But specifically you asked how many moved, right?

COUNCIL MEMBER CHIN: Yes, and how many of them —

MR. RIA: So it was the layoff piece. That was the question. So the answer to the question is no, we didn't lay off anyone, so we achieved it through attrition and the flexibility that we have within our civil service requirements, in terms of, you know, how we allocate our staff to different assignments. So we have not done any mass layoffs, and we have not rehired into positions where we had—currently were recruiting to hire people and fill vacancies, and we've allowed the attrition to help us get to where we needed to be.

COUNCIL MEMBER CHIN: And the one

last point was on your overtime, your budget on the overtime. That is like, what, 40 some percent of your personnel budget. How are you—

MR. RIA: So in 2012, we had $83 million in overtime. In 2013, we're going to have $59 million, so that's an example, right, where we're able to do our work more efficiently. So if we can do central office work more efficiently with fewer people, and drive down the overtime without filling vacancies, then we are fundamentally reducing our headcount staff and reducing the average wages that we pay for that same level of headcount. So those are examples of how we're becoming more efficient in central office and pushing that money to the front line.

COUNCIL MEMBER CHIN: Your overtime total is still like, more than 43% of your personnel service.

MR. RIA: No, that's not right. Yes, it's $59 million of $637 million, so it's less than 10%.

COUNCIL MEMBER CHIN: And you're going to project it to go down every year?

MR. RIA: That's our goal, to

manage overtime down as we become more efficient. And, you know, it's not just becoming more efficient with the labor, but with supplies and the other things that make our labor get more work done, by helping them have the tools in place.

COUNCIL MEMBER CHIN: Just one last question, Chair. It's like on the repair thing, I mean, based on examples that we have in our district office, it's kind of like it's still the issue of the job not getting done in the second visit or the third visit. I mean, we have one where, you know, the ceiling was leaking and it was almost falling down. It finally got patched up, but then again, it didn't get painted. It has to get another appointment. It's going to take who knows how long for them to come back. I mean the question, even the tenants, you know say they took pictures. They say, "It's great. They finally fixed this hole, but it would have been nice if they would have just painted it afterwards.

MR. HOUSE: So with plastering, plastering takes up to 15 days to cure, so you can't actually paint plaster right away. If you do, it will destroy or ruin the plaster. So we do need to come back after a two plus week period in order to do any painting. So that will always be the case. One of the efforts that we're working on is to ensure that we actually sequence those tickets in advance of the appointment. So we are not at that point yet in our evolution, as we go through the next couple of months. But we will start to sequence tickets so that the painter will be scheduled automatically to come back in two weeks to get the paint job done. And we'll try to do that with all of our repairs so that the complex repairs will be sequenced properly.

COUNCIL MEMBER CHIN: Okay. That would be great. Look forward to that. Thank you.

CHAIRPERSON MENDEZ: Mr. Chair, if you can clarify. I thought I heard you say that there were no layoffs in central staff. Is that correct?

MR. RIA: That is correct.

CHAIRPERSON MENDEZ: That is not what we received in some of our reports, correct? The BCG report talks about 550 full time positions from 2012 to 2016?

MR. RIA: Right, but we didn't say layoffs. We said that we would manage our headcount through aggressive actions. It could include layoffs, but that is not the plan.

CHAIRPERSON MENDEZ: Through aggressive action?

MR. RIA: Yes, attrition, people who have certain types of underlying job titles. Administrative staff analyst, well guess what? That means that they could work in many places in the Authority, right? We can move them out of central office and have them do an administrative staff analyst role out in the front lines, so there is a range of things, you know, not backfilling through attrition, whether we work hard to try to encourage retirement, people who are already at full retirement level who are still continuing to work. So there's a whole series of actions that we have. We're not just making this up that we have tools that we can use to manage those 500 staff down.

MR. HOUSE: The turnover rate within the organization is sufficient, people moving from job to job, or retiring, or moving around. It's sufficient to allow us to reassess positions prior to filling them each time, to allow us to reach those goals, without doing layoffs.

CHAIRPERSON MENDEZ: So okay. So no layoffs. So how many positions have you aggressively reduced in this?

MR. RIA: We'll come back and give you an exact number? When do you want to know? From when to when?

CHAIRPERSON MENDEZ: Since the BCG report recommended you do it.

MR. RIA: Oh, okay.

CHAIRPERSON MENDEZ: Start from there.

MR. RIA: We can come back to you and give you a number.

CHAIRPERSON MENDEZ: Give me one second. Do you have a question? Okay.

COUNCIL MEMBER ARROYO: Can I go?

CHAIRPERSON MENDEZ: Yes.

COUNCIL MEMBER ARROYO: Okay. Thank you Madam Chair. I don't know how to play with this. I'm going to go to the preliminary mayor's management report on the performance measures, and there were a couple of numbers that according to the report have increased. And we're looking at,—I think, it includes Sandy related timeframes as well, but the average time to resolve emergency service requests increased 26% and although it went from 6.2 hours to 7.8 hours, and well within the 24 hour timeframe, what do you attribute that increase to?

MR. HOUSE: Shortly after the hurricane in the fall, we actually diverted resources from the un-impacted areas of the city to the impacted areas of the city, focusing on assisting those who were in the most need at that time. And as a result of that transition, our service levels deteriorated.

COUNCIL MEMBER ARROYO: Shouldn't you be able to maintain the response time for emergencies to non-affected areas, despite your planning for the storm?

MR. HOUSE: No, we did not plan in a standard way for the level of impact from Hurricane Sandy. The cost of planning reserves at that level for an entire year that would allow us to do that for a three to four week period would be unacceptably high, so when you have an unusual event like that, you have to adjust in order to address that event.

COUNCIL MEMBER ARROYO: So in preparation for the response that we're going to get from the city from the administration about lessons learned, are you looking to keep your response average despite the emergency?

MR. HOUSE: Absolutely. We do hope to be able to as we move into the future to be able to perform both activities, but we have to make sure that we are efficient with the resources.

COUNCIL MEMBER ARROYO: Elevator repairs also have gone up by 58%.

MR. RIA: I'm sorry. What about 58%?

COUNCIL MEMBER ARROYO: Elevator repairs. Are we going to blame Sandy on this?

MR. RIA: No. Well Council Member, could you repeat the question?

COUNCIL MEMBER ARROYO: The average time to resolve elevator outages increased 58%

MR. RIA: From 3.8 to 5.2, is that—

COUNCIL MEMBER ARROYO: Yes, from about four hours to six plus hours

MR. RIA: Yes, but our target is 10 hours.

COUNCIL MEMBER ARROYO: It doesn't matter what the target is. Come on.

MR. RIA: Sure it does.

COUNCIL MEMBER ARROYO: Surely we're not satisfied with that your emergency repair time is still within the 24 hour target.

MR. RIA: Yes.

COUNCIL MEMBER ARROYO: But it went up, and so has elevator repair. It's gone up.

MR. RIA: And we have to have the flexibility to move staff around based upon priorities and emergency situations, and we have a target for a reason. The target is a goal that we believe is an acceptable level of acceptable service.

COUNCIL MEMBER ARROYO: Unless you're the one stuck in the elevator or stuck in your apartment trying to get downstairs.

MR. RIA: No, I think that's an

unfair characterization.

COUNCIL MEMBER ARROYO: No, let's ask Ms. Smith, who is waiting for the elevator to be repaired.

MR. RIA: Every business has to have metrics that are deemed appropriate by competitive standards. These aren't things that we set.

COUNCIL MEMBER ARROYO: Okay. So let me ask a different question, then.

MR. RIA: Sure.

COUNCIL MEMBER ARROYO: As the leader of the Authority, you're not concerned that your average time for repairs, for emergency repairs, or elevator repairs has gone up?

MR. RIA: It depends on why it went up.

COUNCIL MEMBER ARROYO: Do we know why it went up?

MR. RIA: Yes, we know why they went up.

COUNCIL MEMBER ARROYO: Why?

MR. RIA: And so we, as Mr. House said, it went up because we had a natural disaster of historical proportions that required us to divert resources to families that needed our assistance, and so that was an important and prudent tradeoff, as opposed to fixing something an hour sooner that we were able to still get to within our 24 our timeframe, and to deal with an emergency created by Hurricane Sandy, it's not only explainable—it doesn't mean, yes, if I can have my cake and eat it too I would, but the reality is we have fixed and finite resources, and we have to make thoughtful and prudent tradeoffs.

COUNCIL MEMBER ARROYO: So what's the average time now, post Sandy, after you've gotten all—everything is kind of, sort of back to normal, what's the average time for an emergency repair in a unit and/or an elevator?

MR. RIA: So I don't have those numbers in front of me but we can provide them for you.

COUNCIL MEMBER ARROYO: Because I can accept that, you know. It was an unusually critical time in our city. And we're not going to beat you up about it going up an hour or two, and during that period. But where are we today and have we come back down?

MR. RIA: But again, we have—we're not suggesting we don't have a goal as an agency, to get operationally better every day. We do. But you have to look at that again in the context of what are the priorities that we're pursuing? So in the case of, you know, it's just maintenance and repair backlog.

COUNCIL MEMBER ARROYO: Mr. Chair, I gave you that. I gave you—I accept, understand that in these two indicators, you've gone up. The turnaround time has gone up. And you've explained that it's related to having to divert resources. And I accept that. I give you that. Where are we today with these same indicators?

MR. RIA: Okay. And we will give you the indicators. And all I was really trying to say wasn't about Hurricane Sandy, which is we have to manage. And we have to have the flexibility to set targets and to make decisions within those targets. And so to the extent, for example, we're focused now, very laser beam like, on our maintenance and repair backlog reduction. And we're going to drive that. And it may have impact on other parts of the organization. And if it's not moving us out of indicator ranges that are acceptable and part of our target, we may accept those changes in the short term, in order to achieve a longer term set of goals. That's all I'm saying.

COUNCIL MEMBER ARROYO: Okay. So in your looking at—if they become a moving target because of your 73,000 backlogged work orders, should we be looking at you increasing the turnaround time or the standard that you hope to accomplish?

MR. RIA: No, we're not planning on changing the standard. On the elevator, I think there is some variability in the times—many of our buildings, if not most, have multiple elevators. So it doesn't mean that someone is sitting there waiting for ten hours, if the elevator isn't coming. But we've got these standards in place. We're trying to do everything that we can do to continue to meet those standards. To the extent that we have the resources available, we'd like to exceed those standards. But exceeding those standards will always have a cost.

COUNCIL MEMBER ARROYO: But you're already beating the standards.

MR. RIA: Right. We're going to continue to do that.

COUNCIL MEMBER ARROYO: So then I'm going to challenge you on a different level, right. If you concede that—and let's put the event of the storm aside and that we hopefully will not have to deal with something like that again. But if you're, on average, exceeding the target, shouldn't you be adjusting those targets down and looking for opportunities to improve the turnaround?

MR. RIA: We should be looking for opportunities to improve, but it doesn't mean we should be adjusting those targets down. It just means we may be beating the targets by even better levels. And just to give you a quick example, we've said, as part of our work order backlog reduction plan, that we're going to continue to meet 24 hour turnaround for emergency repairs. And we're going to reduce to seven days for routine maintenance and 15 days for complicated work orders. If you said to me, "Well Mr.

Chairman, wouldn't you rather get emergencies done in 12 hours and reduce your target?" and I said, "Well we can do that but the tradeoff is now I've got to go to ten days on regular repairs and 21 days on complicated repairs," I would tell you that that's not a tradeoff that we're going to pursue. And so these are the same resources that we have to—

COUNCIL MEMBER ARROYO: I understand.

MR. RIA: Okay. And Council Member—

COUNCIL MEMBER ARROYO: So that we don't look at it just myopically here, right?

MR. RIA: Yes.

COUNCIL MEMBER ARROYO: What are the other areas that you have standards for? What are those standards? And are you exceeding the standards in every single category? We're only looking at emergency repairs and elevators in this report. So I'm sure you have others. My challenge to you is that you might be doing a much better job than the public understands. And where that information is useful for us to provide to the public, we should do so, so that we can begin to move the stigma—remove the stigma from NYCHA. And no one defends this authority more than the people on this committee, particularly those of us who have had the opportunity to work with you and your administration on addressing the serious issues. But mostly I find that there's a huge lack of information and misinterpretations that grow heads every time I go out to a development. And it's all because people are not clear what to expect.

MR. RIA: Okay, understood.

COUNCIL MEMBER ARROYO: That's my point.

MR. RIA: And Council Member, we'll look for opportunities to do that. And if you see any opportunities, if you could let us know, we'll be sure to jump on it.

COUNCIL MEMBER ARROYO: So social services, tenant contacts, again, another increase. Within five days, decreased 25% during the first four months of this fiscal year to 60%, compared to 85%. So are you doing better in this regard?

MR. RIA: This was, yes, this was July through October. We'll have to get back to you on this one. We'll have to get back to you. That's the bottom line.

COUNCIL MEMBER ARROYO: So when there's an emergency repair or—so the social services, help me understand what goes into it.

MR. RIA: Well these are social services referrals. And there's a number of reasons. So some are referrals for, you know, supportive services. And let me just step back, which is our social services staff is dramatically smaller today than it was many years ago. It's under, you know, increasing pressure in terms of the needs of our population—

COUNCIL MEMBER ARROYO: And that's a concern that we have.

MR. RIA: —particularly as it ages, right. So it's not even apples to apples, meaning the needs of NYCHA's population today, it's significantly more needy than it was 10, 20 years ago. And we have substantially less staff to serve those increasing needs, whether that's because we've got more youth aging out of foster care, whether it's because we have more seniors. And so that staff is stretched. So the social services referrals are part of that. The other piece are tenant contacts. They could be tenants are behind in rent and we're trying to understand the dynamics that are going on in that household so that the Board can, you know, obviously understand the actions and the impact on those families. Our number one goal is to preserve the tenancy. And so social services staff has a broad range of responsibilities. And oftentimes, the work that they're doing to try to assist families, to connect them to HRA, to get a one shot deal or you name it requires a lot of case management work. And so, you know, that has an impact.

COUNCIL MEMBER ARROYO: So are you planning to increase the standard or the turnaround time that we can expect to connect tenants with social services, because you're reducing the headcount?

MR. RIA: So in plan [phonetic] NYCHA, right, we've said we must move from being a direct provider of many of our social services and support services, to an orchestrator, which is exactly what you said, finding additional resources to serve our residents and NYCHA serving as the coordinator and quarterback of how we connect those resources to our residents as quickly as possible, whether those are government agency resources or whether those are not-for-profit resources.

COUNCIL MEMBER ARROYO: Do you correlate services the tenants are receiving from other outside entities, home care providers, case management providers? And do you know if Dona Juanita N. Patterson has a case manager that's assigned through some other source, either the hospital or her primary care provider, so that you're not doubling up on the efforts that tenant needs.

MR. RIA: Right, so we're working hard. Part of the plan that I described to move to an orchestrated model is collecting that information. It's self reported. We can't require that information to be provided to us, number one. Number two, we've been getting that information, mainly now through the intensive work of our social services providers, our family services unit going to the apartment, interviewing the family, interviewing the head of the household, asking about the types of services they receive versus what their needs are. That's how we've been collecting, which is retail, one by one. We want to move to a process where we can obviously collect that information in a more standardized, regular recurring way. But we're going to need assistance to do that because again, it's self reported. It's not a requirement.

COUNCIL MEMBER ARROYO: Self reporting is not requiring people to report certain aspects of their life. It's something that continually comes up. And I think we can all agree that we want to safeguard people's information. But I think, as a provider of housing you, I think, do that naturally. You safeguard someone's information. Your office wouldn't give me the tenant leader information for the new developments in my district. I had to kind of find another way to get it. And so that mandating information, I don't see why that's a problem for you or why you wouldn't do that.

MR. RIA: It's a legal issue. I

mean, we can't even enter into MOUs with other city agencies that collect confidential information, for them to provide that information—

COUNCIL MEMBER ARROYO: Well no, I'm talking about the one on one relationship between you and the tenant.

MR. RIA: But again, sometimes that is a trusting and healthy relationship, and other times that's a relationship that people are rightfully protective of, in terms of their concern that, you know, I don't want to provide this information to my landlord. And it doesn't mean that because they've had a past experience that NYCHA views the information or anything. It's just that many people, you know, are concerned about providing information to, you know, "their landlord," even though our goal would be to take that information and ensure that they're getting the resources and services that they deserve.

COUNCIL MEMBER ARROYO: You know, I understand, but I think that we need to push the envelope in this regard.

MR. RIA: I couldn't agree with you

more.

COUNCIL MEMBER ARROYO: I think we do because we've missed great opportunities to be more helpful and productive in the lives of the people who we house. So, you know, but it comes up over and over again. And I think we need to have a conversation about whether or not we should mandate certain information be provided, in the spirit of coordinating services better.

MR. RIA: And we—

COUNCIL MEMBER ARROYO: So that you can get out of the social services business.

MR. RIA: Anything you can do to help facilitate and move that along would be, I mean, that's the kind of thing that would be a huge improvement from where we are today, right? We don't have the ability to mandate that. That's going to require action on a different level to give us the capability to do that. And we also, obviously, would have a communication challenge, right. We'd want, you know, for the public to understand why we've been given those powers and why the changes have been made in the best interest of residents in connecting them to the services they need, as opposed to NYCHA trying to do something that is negative and punitive to our residents.

COUNCIL MEMBER ARROYO: And I guess, you know, the ongoing information sharing process that we need to engage in, we can certainly start with how we can enroll the tenants in the understanding why these standards are what they are and where you're at, and that you're exceeding these standards. I think it would be a great surprise to many in our communities that you're exceeding the standards for emergency repairs. And but for Sandy, that number would probably have remained the same. But if the public doesn't understand that or don't appreciate, can't appreciate it, we can probably diffuse a couple of notches of energy or negative energy, as it relates to the attacks that the Authority continually receives from the public and the press.

MR. RIA: Understood.

COUNCIL MEMBER ARROYO: I'm done.

CHAIRPERSON MENDEZ: Thank you, Council Member. I have a variety of questions that are all over the place, that we didn't get to. What is the vacancy rate of your commercial spaces?

MR. RIA: A lot better than it—it's a lot lower than it was a year ago and substantially lower than it was two or three years ago. This has been a big effort. We may have to get back to you, though, with the exact information. But we've made substantial progress, particularly spaces that have been dark for, you know, three, four, five years, we've been able to attract new tenants through a focused, concerted effort.

CHAIRPERSON MENDEZ: In the last calendar year, roughly school year?

MR. RIA: Yes, we'll get you numbers.

CHAIRPERSON MENDEZ: You're going to get us that.

MR. RIA: Yes. Okay. We'll get back to you.

CHAIRPERSON MENDEZ: Can you tell me the type of commercial tenants that you have in your different spaces?

MR. RIA: Well, I mean, it runs the gamut, as you know. I know you know this better than any of us. We have a lot of mom and pop proprietors who are in NYCHA's commercial space. Many of them, that's their sole business or location, small retail, pharmacies. We have temporary tax services. And other small retail are the principal tenants of those spaces.

CHAIRPERSON MENDEZ: Like bodegas, hair salons.

MR. RIA: Yes, small retail.

CHAIRPERSON MENDEZ: Nail places.

MR. RIA: You've got it, correct, salons, yes, personal services.

CHAIRPERSON MENDEZ: And then not for profits?

MR. RIA: Some, but not a lot, actually. I mean, I think it's an area where, you know, maybe there's opportunity. As we've tried to work through our Office of Public/Private Partnerships and through community programs and development, we have looked for opportunities to do that. Many of the kind of community based organizations, they approach us more from a perspective of can we occupy your space for free, as opposed to in a traditional landlord/tenant relationship. And so, you know, we're looking at that. But that hasn't been as fruitful as hopefully it could be in the future.

CHAIRPERSON MENDEZ: Are there any special considerations for such organizations that are providing services to your residence and to our community?

MR. RIA: Well we've got a lot of special situations and considerations. But they're principally in our community center spaces. But there probably, you know, are a handful of commercial space situations where people are in as well.

CHAIRPERSON MENDEZ: And you say some of them want it for free. Are there any circumstances where you are providing the space for free or near free? I know at some point our senior centers that were located there are not paying rent.

MR. RIA: Yes, there are still a number of spaces where we are not receiving rent or where we're receiving rent that is substantially below a comparable market base rent because they're providing "services" to NYCHA residents.

CHAIRPERSON MENDEZ: Has there been any new hires to the frontline staff since the BCG report?

MR. RIA: Yes.

CHAIRPERSON MENDEZ: And what is that number?

[crosstalk]

MR. RIA: There's been at least 250 since August.

CHAIRPERSON MENDEZ: 250.

MR. RIA: Since August, for frontline staff.

CHAIRPERSON MENDEZ: Okay. That's not including the 176 from the maintenance/repair.

MR. RIA: No, that's in addition to the 176 from maintenance/repair.

MR. HOUSE: So some of that number would be people that left to attrition, so that would be attrition replacements, and about 205 additional heads. And then we've been replacing frontline workers as well.

CHAIRPERSON MENDEZ: Okay. The federal rules allows public housing authorities to transfer a certain percentage of capital funds to operating. What, if any, have you transferred in the last couple of fiscal years, starting with last year? What are you planning to transfer for this year, if any?

MR. RIA: You asked for the last year. So in 2012, we transferred over $20 million.

CHAIRPERSON MENDEZ: Over?

MR. RIA: No, I'm sorry. We transferred from the capital fund to operations $20 million.

CHAIRPERSON MENDEZ: $20 million. 2011?

MR. RIA: $22 million, down from $54 million in 2010 and down from $77 million in 2009, when I arrived.

CHAIRPERSON MENDEZ: $54 million in 2010?

MR. RIA: And $77 million in 2009, right. So we said our goal was to dramatically reduce the amount of money that we transfer from the capital fund into operations, to support the budget. And so all these actions we've been taking to generate new revenues, reduce expenses, have all been done while dramatically reducing, by two thirds, the amount of money that we move from the capital fund to the operating fund. So it—

CHAIRPERSON MENDEZ: Do you anticipate transferring money in this fiscal year, and if so, how much?

MR. RIA: Yes, so we have that number declining from $20 million in 2012, down to $10 million in 2017. So we're going to cut it in half again.

CHAIRPERSON MENDEZ: And would that number possibly be impacted by the sequestration?

MR. RIA: It will absolutely, possibly and almost certainly would be impacted by sequestration. You can count on it.

CHAIRPERSON MENDEZ: Okay. Mr. Chairman, NYCHA's HUD rating went down from high performing to standard. Can you explain why?

MR. RIA: I can't explain HUD's ratings.

CHAIRPERSON MENDEZ: You what?

MR. RIA: I can't explain HUD's ratings.

CHAIRPERSON MENDEZ: You can't explain HUD's rating. Can anyone explain HUD's rating?

MR. RIA: If Mr. House wants to try, he can.

MR. HOUSE: No, no.

MR. RIA: No? We'll let the ratings—

CHAIRPERSON MENDEZ: Can any one at HUD explain HUD's rating?

MR. RIA: We'll let them speak for themselves. We'll just say they have their ratings and, you know, we differ with much of their ratings and—but a standard performer is not our goal, obviously but it also doesn't say in any way we're deficient.

CHAIRPERSON MENDEZ: And when you get a rating that you disagree with, you can challenge that?

MR. RIA: You can, and we've been successful in challenging specific developments where they may have given a development a certain

FA score, and then we've gone back with them, challenged certain aspects of the FA score. And they made adjustments. We haven't challenged their overall rating, right, because the overall rating is based on a bunch of factors, you know, that—categories of factors. And each of those categories is based upon, you know, 334 developments across the city, as well as some administrative activity. So we've challenged individual line items or individual buildings. But we haven't challenged the overall even though, again, we fundamentally disagree. We think we're a high performing agency.

CHAIRPERSON MENDEZ: Okay. Do you lose anything by not being a high performance agency?

MR. RIA: No.

CHAIRPERSON MENDEZ: Nothing fiscally, nothing, just ego?

MR. RIA: No. I mean, there are—we haven't—I'm sorry?

CHAIRPERSON MENDEZ: Just your ego, no ego issue?

MR. RIA: You always want to be

number one and the best. So yes, it is, yes. We can't spend ego, though.

CHAIRPERSON MENDEZ: Okay. You'd be surprised. In your all funds operating budget for calendar year 2013, your fiscal year, you have a category of other that has $20 million as other revenues. Can you give me the breakdown of what that other would be?

MR. RIA: We can, if you just give me one second.

CHAIRPERSON MENDEZ: Sure. And there is a $17.8m for other revenues from operation, if you can tell us what that is as well, so someone can look it up.

MR. RIA: Okay. So this is actually the other revenues from operations that I have.

CHAIRPERSON MENDEZ: Which one are you providing?

MR. RIA: Oh, the titles. Okay. So this is all funds. Okay. So the first one that you asked about is all funds. And fiscal year 2013, I quoted $20 million. And it grows to about $24 million over the period. The largest component of that is still miscellaneous income of about $3.7 million, which is made up of a lot of stuff.

CHAIRPERSON MENDEZ: Just give me some examples.

MR. RIA: Fingerprint fees, you know. I mean, it's a lot of small stuff but there's a lot of it. Ground rent is $1.6 million, sublet rental income for excess space is another $1.7 million. Non-dwelling rents are $2.5 million, so community centers. And then we have commercial space, which is the largest, which is $4.7m for storefront and $3.3 million for rooftops. So those are the big items, storefronts number one. Miscellaneous is a combination, so it's kind of not really a fair comparison to be number two because each of those items is tiny. So next one is commercial rooftops, non-dwelling rents for community centers, and then ground rent and sublet rental income. Those are the big ones.

CHAIRPERSON MENDEZ: The fingerprint fees, those are for new applicants or—

MR. RIA: Yes. And at the end of the day, they're really just reimbursing us for expenses. I mean, it's, you know. But it shows up as a revenue because we charge them.

CHAIRPERSON MENDEZ: Mr. Chairman, in your ABNY speech back on September 24th, you stated that you were starting to begin energy audits. How many audits have you completed? How much in savings have been realized? And what are the anticipated savings in the future?

MR. RIA: Can we get back to the Council on that? We are working actually on something right now that will be coming to the Board soon, around an energy performance contract, the required substantial energy audits, so we can describe in detail that work, as well as we're working on a much larger program that would do energy audits for all NYCHA buildings. And we would be seeking to kind of roll that out in phases. That's consistent with the city's requirement, local law. You guys probably know the number better than I do. But is it 87, Local Law 87, I think it is, which requires energy audits be performed on buildings. And so we are—we will be rolling out about 10% of our portfolio over a ten year period, to complete all of the energy audits. I mean, we have 2,600 buildings, so you know, and each energy audit is quite expensive. So just to do, you know, 10% of our portfolio, you know, is going to cost us in the range of—I'm going to say $5 million.

CHAIRPERSON MENDEZ: Do you have any numbers regarding other green programs, like geothermal heating systems, and whether they've been implemented and what the cost savings are for that?

MR. RIA: So each one of those programs has, you know, a payback analysis. And so if there is a specific one, we'd actually, you know, have to get the information and sharer it with you. But we are continuing to move forward with our—you mentioned a particular strategy around, you know, thermal energy. And that has real savings. We'd be happy to take you through that project.

CHAIRPERSON MENDEZ: Do you have where you're starting to implement those programs or—do you have that information today?

MR. RIA: Yes, the geothermal is a test. It's a pilot, so it's just at one building in Manhattan.

CHAIRPERSON MENDEZ: Oh, okay.

MR. RIA: But other energy initiatives, as I described, which we are going to be brining to the board very soon, it's not approved, so it would be inappropriate for me to discuss it today. But that is a fairly sizeable energy performance contract that will have broad based benefits to hundreds of apartments and hundreds of residents. And so we look forward to sharing that information with you very directly.

CHAIRPERSON MENDEZ: Okay, Mr. Chairman. And my last question is we've been informed that—awhile back—that the NYPD was supposed to be implementing section three for the $70 odd million it receives from the MOU for the past several—many, many years. And it has not. What is being done about that and is there any financial compensation that the NYPD will do, in lieu of not implementing section three for all these years?

MR. RIA: So I can't speak for the NYPD. I think that's a question better asked to them. We are not aware of any discussion or requirement for any financial compensation. We do know, because we've shared information with them about who our residents are. And they've been doing matching, in terms of who is on their force, as well as other jobs and economic opportunities, to have them provided to NYCHA residents through the NYPD. So we've been involved in assisting them with doing some analysis. But they are ultimately performing the analysis and measuring their compliance or non-compliance with. So I'm not even here to confirm that they haven't complied with it. All I can confirm is that HUD had a determination that the NYPD contract was subject to Section 3, like all other federally based contracts that NYCHA procures. And so I can't comment on whether they have been in compliance or not in compliance.

CHAIRPERSON MENDEZ: Well I believe I had a Section 3 hearing where I was told they were not in compliance.

MR. RIA: I'm not sure who told you that. But again, I'm not confirming or denying it.

CHAIRPERSON MENDEZ: So okay. To

your knowledge, how many years have they needed to comply with Section 3, that they may not have?

MR. RIA: It would be since 1995 or when the MOU was implemented. I'm assuming Section 3 was in effect back in 1995. If it was, then it would—they would have—the determination says that that contract should comply with Section 3. So it's existed since the creation of the MOU and the merger of the Housing Authority—police department with the NYPD, so—

CHAIRPERSON MENDEZ: Okay. That's a lot of Section 3 jobs.

MR. RIA: And again, I'm not saying that they haven't complied.

CHAIRPERSON MENDEZ: And when would NYCHA say that they would or, I mean, when would you be able to say that?

MR. RIA: Well when they—

CHAIRPERSON MENDEZ: You don't ask the NYPD about this?

MR. RIA: No, it's not that we don't ask them about it. But again, they are doing the analysis, right. They owe not just us a response but, you know, HUD and those who obviously are monitoring us. We know that they're working on it because they requested certain information from us which we provided to them expeditiously. And we have, obviously, an incredible goal to ensure that we don't just meet Section 3 requirements and standards but that we facilitate more public housing residents being employed as a result of NYCHA's activity. And we think that we've made major—not that we think. The data show that we've made major strides in that, in terms of the number of hires of our residents in our economic activity. And so we care about it. But at the end of the day, as I said, we're waiting for them to finish and complete the analysis, and then to create a plan, moving forward.

CHAIRPERSON MENDEZ: I'm just going to give a list of some of the things you're supposed to get back to us on.

MR. RIA: You got it.

CHAIRPERSON MENDEZ: And then I'll turn it over to Council Member Arroyo for the last question. You said you would get us copies of the assessment.

MR. RIA: PNAs, yes, physical needs assessments, yes.

CHAIRPERSON MENDEZ: A schedule of meetings with council members, once you set that up.

MR. RIA: Yes.

CHAIRPERSON MENDEZ: A report of the above line services from NYPD. A list of the Section 8 conversions, the number of apartments and which developments therein, the number of the aggressively reduced headcount since the BCG report, or you can give it to me for the last two NYCHA's fiscal years. You're supposed to provide us with the indicators of why the backlog or the delay in addressing some of the repairs, in terms of hours.

MR. RIA: I'm sorry. Could you say that last one again?

CHAIRPERSON MENDEZ: This was under the questioning from Council Member Arroyo. You said there were some indicators and you would provide us what those indicators are that had increased the delay in getting responses and getting some work done. The vacancy rate for your commercial units, all the information about your energy audits. And you were going to get us the exact number of—oh, I have that in there. Okay. So these are the things you're going to get back to us on.

MR. RIA: Yes.

CHAIRPERSON MENDEZ: And we will get that by—

MR. RIA: We will endeavor to get it to you as expeditiously as possible. Some of these things are pretty quick turnaround. Some may require just a little bit more work, so within a week.

CHAIRPERSON MENDEZ: Excellent.

MR. RIA: Is that fair? Okay.

CHAIRPERSON MENDEZ: Okay. Council Member Arroyo.

COUNCIL MEMBER ARROYO: Thank you. One of the things that I wanted to alert you to is that my office is going to be scheduling a couple of meetings to talk about the projects that are going on in the different developments, in particular Mitchell Houses, to see how we can organize an effort to get the people employed and with a target primarily for the residents of New York City Housing, but also the local opportunities that can be created. And I can't take credit for the thought but there are several individuals who are trying to work with the unions, to bring them in on the conversation. And we're going to need some direction from your office on how to best organize that effort, given the multitude of dollars that NYCHA spends on projects and the opportunity that it provides for individuals in the community to be employed whether temporarily or permanently. But it is an effort and an opportunity that we should really work really hard at because even the local residents, outside of the developments can certainly have an opportunity to get that employment. So my office is reaching out to schedule—particularly to discuss Mitchell Houses.

MR. RIA: I look forward—

COUNCIL MEMBER ARROYO: Maybe we can do some kind of pilot in working with the unions.

MR. RIA: Sure, we look forward to that and we have a number of things that, you know, show, you know, a lot of real promise. Obviously we're expanding the Jobs Plus sites from two to seven, you know, with the competitive money we were able to receive. You know, so HUD is very excited about what we're doing here in New York, around connecting our residents to jobs through Jobs Plus, through—even if it's not on our property or money that we're spending in contracting, the work that we did with the Barclay Center where, you know, a full third of those jobs went to public housing residents at Barclays Arena. So we've worked both in, you know, large scale development with developers that aren't on NYCHA land, as well as with programs like Jobs Plus and the NYCHA Robin Hood Training Academy. We've made dramatic strides. And we'd love to work with you on Mitchell Houses.

COUNCIL MEMBER ARROYO: And I expect to keep the capital funding flowing to the developments in my district. And I think that those are really important for me to make sure that as the taxpayer dollars go into the developments, that the work opportunities that it creates locally for the community is something that we need to demonstrate and show numbers, so that people can—we need to change the conversation of how NYCHA is perceived in our communities.

MR. RIA: Absolutely. We've got a good story to tell on the progress there.

COUNCIL MEMBER ARROYO: Thank you. Thank you, Manager.

CHAIRPERSON MENDEZ: Thank you, Council Member and thank you for staying till the end. Thank you, Mr. Chairman, Mr. House.

MR. RIA: My pleasure.

CHAIRPERSON MENDEZ: All the NYCHA staff who's out there, thank you for being here. And we will move on to the public testimony.

MR. RIA: And thank you, Madam Chair.

CHAIRPERSON MENDEZ: Okay. So we haven't received any of this for public testimony. Going once. Going twice. Okay. I guess there is no one here to give public testimony. Okay. This hearing is adjourned. Thank you.

C E R T I F I C A T E

I, Michelle R. Killen, 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.

Signature Michelle R Killen

Date March 18, 2013