BUILDING THE FUTURE OF NEW YORK

NYCHA

For New York to continue to thrive as a global city, now is the time to not only dream big, but to put shovels in the ground. These proposals may seem aspirational, but New York must see itself in this vision and reshape our city if we are truly going to continue to lead the world.

Our Building the Future of New York series springboards real conversations between stakeholders and helps move the needle on some of the region's biggest challenges. The series urges policy makers and the public to return to a spirit of aspirational planning and building by proposing substantive projects and significant administrative reforms that could engender a new century of growth and success.

BUILDING THE FUTURE OF NEW YORK:

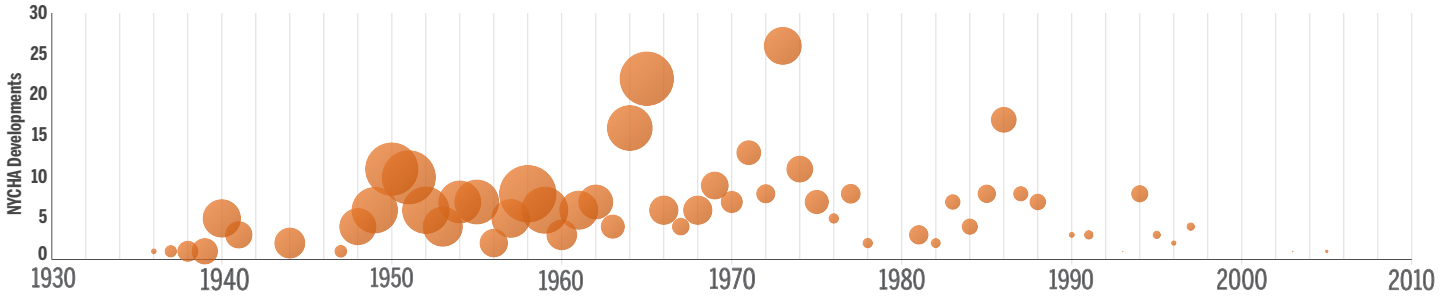
NYCHA

Averting a Housing Crisis

At more than 400,000 residents in over 175,000 apartments and 2,400 buildings, the New York City Housing Authority (NYCHA) houses more people than the total populations of major cities like Pittsburgh, Tampa or Cleveland. As the largest public housing system in the United States, NYCHA provides one in 22 New Yorkers with an affordable home.

Though NYCHA ranks as the largest provider of public housing in the nation, the reality for most residents is grim. From children exposed to toxic levels of lead and mold, to contaminated drinking water, as well as heating and hot water systems failures during winter months, the living situation for many is dire.

The agency is plagued by an aging housing stock and an inability to make the necessary repairs due to staggering shortages of capital funding. Preserving the agency's housing stock, providing adequate housing for thousands of New Yorkers and averting crisis will require major changes and big ideas.



NYCHA construction over time. Size indicates number of units on site.

Mid-Century Problems

Most NYCHA apartments were built between 1945 and 1970. The average age of NYCHA apartments is approximately 60 years. Given the massive size of the portfolio, the scope of the problem has grown exponentially over NYCHA's 86-year history. With most of the housing stock passing the half-century mark and a lack of funding for maintenance and basic preservation, NYCHA's needs greatly exceed what its capital budget can cover.

According to NYCHA's 2017 Physical Needs Assessment (PNA), the projected costs for the agency's total maintenance and repairs is $31.8 billion – or $180,000/unit. The 2017 assessment represents a 93 percent increase from 2011, when the total need reached $16.5 billion. NYCHA credits that increase to building deterioration, changes in market conditions and the inflation on the still unmet needs. Those specific needs are concentrated in NYCHA apartments. Forty percent of the total need –- $12.6 billion – is in apartments, with $5.6 billion needed in bathrooms and kitchens alone.

NYCHA residents report deficiencies at a rate two to three times greater than other New York City tenants.

According to the City's Housing and Vacancy Survey.

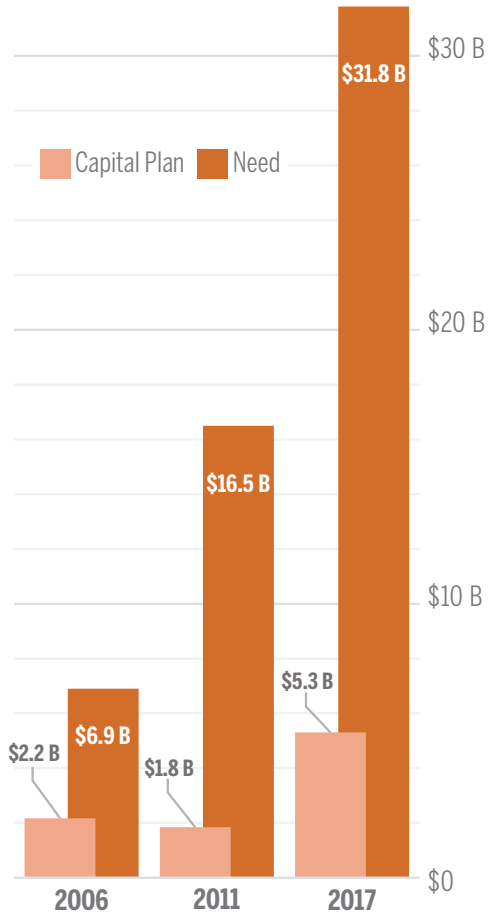
Furthermore, repairs and replacements for the aging piping systems and sewage was projected to cost $440 million. An additional $220 million is needed for walls and ceilings due to leaks and the resulting mold. While the agency has worked to repair roofs, parapets and exterior walls — which can prevent leaks — these needs have competed with the deteriorating interior conditions.

NYCHA Five-Year Capital Needs by Category, 2017

Inflating Funding Gap

A paradigm shift in federal policy and accompanying budget cuts has left NYCHA, which relies primarily on federal funding, with a capital funding gap of more than **$26 billion** over the next five years.

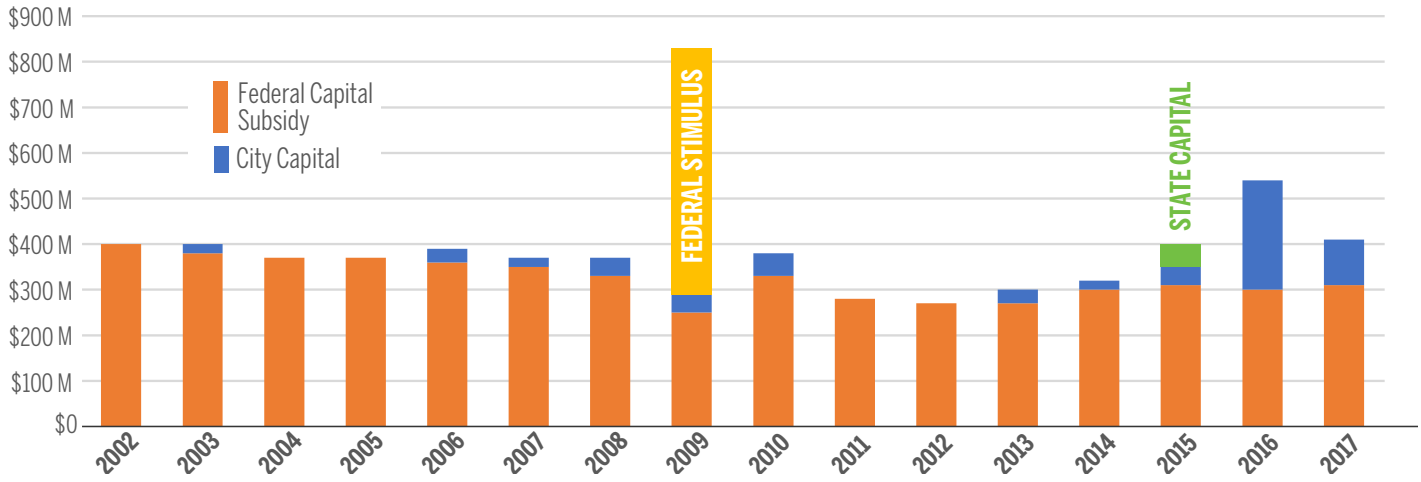
Beginning in the 1970s with the Nixon Administration, the federal government has been shifting away from a traditional public housing model in which they build and operate housing for working and low-income families. Through the 1980s and Reagan Administration, federal policy has moved towards a voucher-based, privately-operated model where the government provides subsidies to developers to build housing and offers vouchers for low-income families.



NYCHA Five-Year Capital Funding Gap

Inflating Funding Gap continued...

No problem plagues NYCHA more than this chronic funding gap, constraining the agency's ability to make the necessary facade, roof, mechanical and interior repairs. Historically, the federal government has provided NYCHA their majority of capital grants, absent of large contributions from New York City or New York State for capital improvement. Since 2014, the City has dramatically increased their funding for NYCHA, contributing a total of $1.6 billion for repairs to roofs, facades, security enhancements and heating systems upgrades.



NYCHA Capital Funding by Source, 2002-2017

Efforts Underway

NYCHA has various active initiatives underway and is exploring ways to reach higher levels of operation efficiency. New York City has agreed to a deal with the U.S. Department of Housing and Urban Development (HUD) to provide at least $2.2 billion in funding over the next five years, with HUD providing an estimated $1.5 billion a year. But this new revenue only supplies NYCHA with one third of the total funding needs, leaving a large deficit.

In 2015, NYCHA introduced their Next Generation (NextGen) plan, with a host of ideas to alter the current operational struggles and generate revenue. For example, their NextGen 50/50 proposal would build 50 percent market-rate and 50 percent affordable on underutilized NYCHA land. Initial plans include 1,466 projected units with Holmes Towers and Wyckoff Gardens, with four sites projected to bring in $170 million.

Wyckoff Gardens Rendering by Aufgang Architects

NYCHA has also worked to leverage private and public partnerships to modernize and repair public housing by utilizing HUD's Rental Assistance Demonstration Program (RAD). Select sites with major investment needs have been financed due to RAD, and the apartments have been transitioned to Housing Choice Voucher Program (Section 8).

NYCHA's Permanent Affordable Commitment Together (PACT) initiative has helped reinvest and transition more than 3,000 units on 18 sites. NYCHA has expanded PACT to shift the repair funding and maintenance cost to Section 8 and development partners for its unfunded stock of housing. This program offers an efficient transition and makes the lives of residents better by not causing them to leave apartments during the development. However, as seen in the first RAD transition in Ocean Bay — where the $560 million development costs came from FEMA Sandy Relief funds, low-income housing tax credit (LIHTC) and bonds — this is not a replicable model for most of NYCHA's housing stock.

In 2018, the agency introduced their NYCHA 2.0 plan, which utilizes a mix of old and new tactics to preserve and renovate NYCHA buildings, including the transfer of air rights to raise funds for capital repairs of nearby developments. The plan will increase RAD transfers, with the goal of transitioning 62,000 apartments from Section 9 to Section 8 over the next 10 years. The plan extends the NextGen Neighborhoods program, allowing for full-market rate development on underutilized land.

It is evident that NYCHA is implementing innovations in funding and operations to bring better housing to its residents. However, even with the more novel initiatives NYCHA is instituting, unless revenues or expenditures drastically change, the outlook is uncertain.

A Path Forward

Given the aging housing stock and the current rate of deterioration, the long-term viability of most NYCHA units is uncertain. In less than a decade, the cost of repairing many developments will exceed the cost of replacing them. If needs continue to grow at the 2011-2017 rate, the next PNA in 2023 will identify more than $60 billion in funding needs and put more than half of the NYCHA portfolio with repair costs at risk of exceeding replacement costs. By 2027 more than 90 percent of the system could hit this breaking point, meaning more than 150,000 units would be at risk.

NYCHA's greatest asset is the land which it occupies — more than 110 million square feet throughout the five boroughs. For context, that's as much real estate as all of Manhattan below 14th Street. However, due to their "tower in the park" design, with large setbacks and sprawling, multi-block campuses, actual NYCHA buildings only take up roughly 20 percent of that total land area. The remaining millions of square feet are designated for parking, pathways and green space that is often unused and even fenced off.

With these challenges and opportunities, any path forward for NYCHA must aim to slow the rate of deterioration, get the system to a state of good repair and fill in the necessary funding gap. That translates to more efficient operation and construction programs, with NYCHA leveraging its assets for funding and managing fewer properties. This report provides a possible path forward for transforming NYCHA into a sustainable provider of affordable housing:

1-2 years:

Streamline Procurement and Construction

Federal officials declare a "state of emergency" on NYCHA developments and remove regulatory roadblocks to move along repairs and renovations for which funding is already allocated. Currently, NYCHA's federally funded procurements are governed by restrictive regulations that increase the time and cost of capital work and discourage many qualified firms from bidding on projects.

2-3 years:

Reduce Management Portfolio

NYCHA continues using HUD Section 8 programs, including RAD, to fund renovations and convert more public housing (Section 9) apartments to permanently affordable housing. The converted sites will focus on smaller, scattered site developments that are isolated and more costly to operate than larger, denser developments with the goal of reducing NYCHA's management portfolio down to 100,000 units.

3-5 years:

Transfer Air Rights

NYCHA takes advantage of their estimated 80 million square feet of unused development rights. The City allows the transfer of air rights beyond adjacent properties to select "development zones" throughout the city. If NYCHA sells 10 percent of its 80 million square feet of development rights at an average price of $250 per square foot, it would raise $2 billion for capital needs.

Continued on page 5

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5-15 years:

New Infill Construction

NYCHA expands their infill program, allowing mixed-use, market-rate developments on sites that comply with Mandatory Inclusionary Housing levels of affordability to generate significant revenue for capital repairs. Areas will be rezoned to allow for taller developments when possible. Funds generated from infill development would go directly to the adjacent NYCHA buildings with the goal of building 20,000 new units on NYCHA sites, raising $2.5 billion for capital needs.

15-30 years:

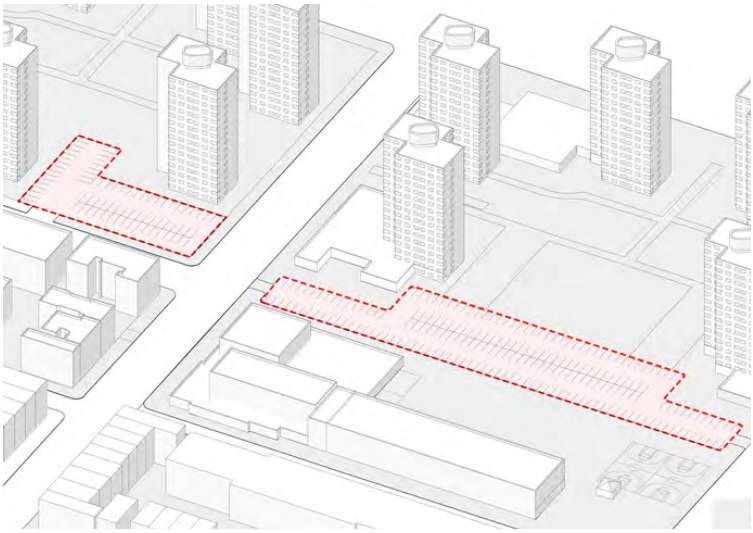
Three-Phase Redevelopment on Select Sites

On buildings approaching replacement costs, a three-phased redevelopment would be appropriate. In phase one, NYCHA and a developer would build new affordable units on currently vacant land. During phase two, tenants from one or more NYCHA buildings would relocate to the newly constructed units. Phase three would involve the developer demolishing the vacated NYCHA buildings and replacing them with new buildings. In addition to raising money for capital funds, redeveloping NYCHA's superblocks could be used to increase the supply of affordable housing, restore the street grid and provide space for ground-floor retail and community facilities.

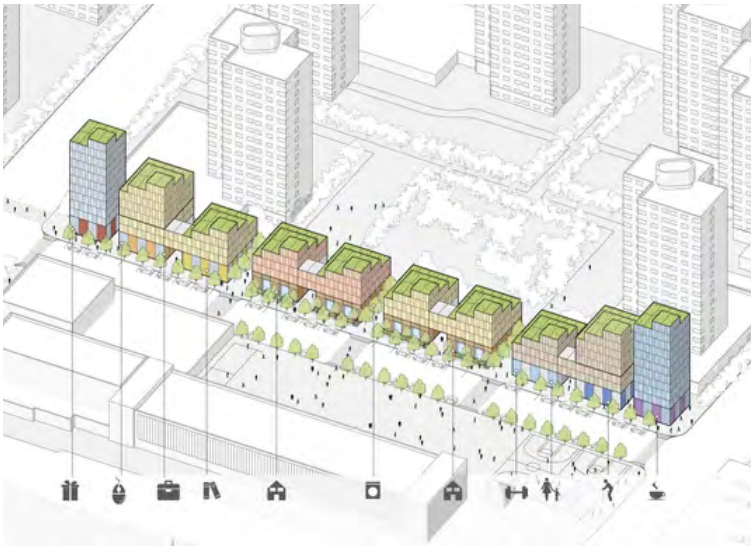
Conclusion

Losing just 10 percent of NYCHA housing puts almost 40,000 New Yorkers out of their homes. If one third of NYCHA apartments deteriorate to unlivable conditions, 130,000 people - the population of New Haven, Connecticut - would be displaced. NYCHA residents are active community members who help their neighborhoods, schools and businesses thrive. They are employees and business owners themselves, and the economic impact of losing some and displacing others would be devastating for New York City.

NYCHA's needs are immense, but New York and its citizens have always risen to the challenge. The looming crisis demands swift and bold action. Any path forward will take coordination from our City, State and Federal governments, and most importantly community input from residents.



BEFORE: Current parking at a East Harlem housing development. Credit: Peterson Rich Office/Sagi Golan



AFTER: The same site could include multi-use development. Courtesy of Peterson Rich Office/Sagi Golan

NEW YORK BUILDING CONGRESS

The New York Building Congress is a member coalition of business, labor, associations, and government organizations promoting the design, construction, and real estate industry in New York City.

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