

Keeping the Public in Public Housing



Red Hook Houses. Photo by Tom Angotti

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January 2014

About CCPD

The Center for Community Planning & Development (CCPD) promotes knowledge, applied research, and innovative practice in community planning and development. It provides technical assistance and training through partnerships with community-based organizations, non-profit corporations, and local agencies. The CCPD is committed to democratic, inclusive, and participatory approaches to planning and development that foster sustainability and economic and social justice.



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Acknowledgements

Thanks to the Roosevelt House Public Policy Institute at Hunter College for their support of this research. We have learned a great deal from the work around public housing by the Alliance to Preserve Public Housing, Committee Against Anti-Asian Violence (CAAV), Community Voices Heard (CVH), Families United for Racial and Economic Equality (FUREE), Good Old Lower East Side (GOLES), and Mothers on the Move (MOM). Thanks to the NYCHA staff and residents who shared their views with us but remain anonymous.

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Preface

After supporting the organizing efforts and legal challenges against NYCHA's Land Lease Initiative, we felt it was important to develop a better understanding of how the plan came about and what alternatives exist. *Keeping the Public in Public Housing* is a policy report, focused on NYCHA's moves over the last decade to ultimately open up its campuses to private residential development. We try to answer basic questions about how NYCHA got here and where it is going. This report is not the detailed audit of NYCHA's management and finances that is sorely needed. We had neither the time nor the funding that would be required for a thorough, detailed analysis. We wanted to release the report at this critical moment of transition in government in the hopes these findings would help inform the important discussions underway about NYCHA's future.

We look forward to feedback from and ongoing dialogue with NYCHA residents, housing advocates and professionals, elected officials, and others with a commitment to preserving and improving public housing in New York City.

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Executive Summary

I. “PUBLIC HOUSING THAT WORKED” AND ITS PROBLEMS

- The New York City Housing Authority (NYCHA) has for nearly 80 years provided quality housing for people who need it, but in the face of policies that de-fund and dismantle public housing, has recently cut and privatized services. Now, NYCHA has proposed a Land Lease Initiative to allow private, market-rate housing to be built on NYCHA land. The public widely opposes this plan, yet, throughout NYCHA’s history it has failed to engage residents and other groups in its decision-making.
- NYCHA is the country’s largest housing authority, home to more than 400,000 low- and moderate-income residents. While local public housing authorities throughout the country have collapsed, NYCHA continues to operate at full scale.
- Public housing plays an important role in the economy and social fabric of New York City. It creates jobs, supports low and moderate wage sectors, and helps maintain a diverse city. Any loss of public housing units would seriously affect the city and its neighborhoods.
- With NYCHA’s record of good housing stewardship also comes its top-down management approach. The design, policing, and social policies of NYCHA communities are all planned and implemented without true resident involvement. This is reinforced by NYCHA’s mayor-appointed governance body. Residents have little involvement in NYCHA planning, budgeting and policy-making. Resident Associations are not widely used and have little influence on decision-making.
- Privatizing NYCHA’s assets undermines its commitment to the public. Residents offered concerns and alternatives to the Land Lease Initiative, which NYCHA did not address in its plans. The Initiative thus signals NYCHA’s abandonment of its long history of stewardship

without addressing any of its historic management shortcomings.

II. THE RISE OF PUBLIC-PRIVATE PARTNERSHIPS

- For more than a decade, federal and city policies have supported public-private partnerships for housing development and operations. NYCHA leadership embraced policies that saw the authority’s land and buildings as capital assets, rather than communities.
- Set out in the 2006 Plan to Preserve Public Housing and the 2011 PlanNYCHA, NYCHA’s recent moves toward private development include:
 - Public-private partnerships managed by the city’s Department of Housing Preservation and Development (HPD)
 - Leasing NYCHA land for new, private development
 - Financing of 21 projects by Citigroup
 - Contracting out and reducing community services
- Bloomberg administration policies paved the way for NYCHA’s moves towards private development. Land use and housing policies promoted market-rate, private development.
- The 2013 Land Lease Initiative, NYCHA’s boldest and most widely debated privatization action, was not an isolated proposal but part of a decade-long trend of favoring private over public development.

III. THE INFILL PROPOSAL

- The Land Lease Initiative (or “Infill plan”) would introduce 3,000 new housing units to eight NYCHA campuses in Manhattan. 80% of the new units would be market-rate housing in neighborhoods where rents are skyrocketing. The plan would displace nearly 8 acres of open space.
- Strong opposition by NYCHA residents and

elected officials has placed the proposal on hold, although NYCHA staff continues to review proposals.

- Resident groups and researchers have identified major problems with the Land Lease Initiative:

- Other funding alternatives exist. Projected lease revenues would not meet NYCHA’s annual operating gap or estimated capital needs.

- Introducing high-income residents to NYCHA campuses will not necessarily create integrated communities.

- New towers would be out of scale with existing buildings.

- The plan would not integrate NYCHA developments into the surrounding street grid. Infill development would magnify problems with the campuses’ “tower-in-the-park” design while undermining its benefits.

- The plan was developed without proper consultation with residents.

- NYCHA failed to assess potential environmental impacts.

- The Infill plan views public housing land as potential real estate for private development and new revenue, rather than a resource for residents.

IV. WHY NYCHA IS NOT BROKE

- NYCHA’s serious budget problems were created by public policy decisions and can be solved by public policy decisions.

- NYCHA’s operating deficit can be eliminated through several feasible budget alternatives, including elimination of contracts that require NYCHA to pay for police and other city services. Such measures have been proposed by policy and advocacy groups.

- New York City could dedicate significant capital funds to preserve public housing.

- A thorough and independent audit of NYCHA finances is required before specific solutions can be proposed.

- NYCHA lacks transparency in its management of funds and projects, which contributes to mistrust and suspicion among residents and advocates.

V. HOW TO PUT THE PUBLIC BACK IN PUBLIC HOUSING

NYCHA should implement comprehensive policy changes to make management more effective and inclusive of residents. NYCHA should:

- Revamp NYCHA’s governance structure. The NYCHA Board of Directors should have more diverse representation.

- Expand the role of Resident Associations.

- Institute participatory budgeting at NYCHA.

- Develop resident-driven plans for all NYCHA campuses. All major physical changes should be subject to the city’s environmental and land use review processes.

- Consider NYCHA land as a trust for permanently affordable housing and look into the establishment of a community land trust for public housing.

NYCHA should consider other program measures, many of which have been proposed by residents and staff:

- Conduct an independent audit of NYCHA finances

- Restore the operation of Community Centers by NYCHA staff

- Coordinate with the NYPD and Resident Associations to establish community policing on NYCHA campuses

- Employ and train more NYCHA residents in staff positions

- Promote green jobs at NYCHA

- Support resident-led recycling and composting programs

- Support community gardens and grow healthy food on NYCHA campuses

- Develop ongoing support and strategic relationships with community organizations active in public housing

- Expand access to information on NYCHA operations in multiple languages

I. “Public Housing That Worked” and Its Problems

Over the last decade, the New York City Housing Authority (NYCHA) began a transformation from a public good that provides low cost housing to New Yorkers to an opportunity for real estate development. For nearly eighty years NYCHA has provided housing for people who need it most, with a tremendous benefit to New York’s economy and neighborhoods. Recently, however, in the face of policies that reduce funding for public housing, NYCHA has cut and privatized services. Its Land Lease Initiative (or “Infill plan”), widely opposed by residents, would allow private, market-rate housing to be built on NYCHA land.

In order to understand the Infill plan and arrive at better alternatives, this report looks at the evolution of NYCHA’s policies over the course of its history. In Part I, we show how NYCHA has been the nation’s premiere example of “public housing that worked.” Compared to many other large public housing authorities, NYCHA has a long history of capable stewardship of the land and buildings under its control. It has facilitated and provided many social programs. Yet, as many residents and neighbors know, NYCHA’s highly centralized management has failed to include residents in planning and policy decisions. Over the last decade, this top-down approach resulted in public-private partnerships and the Infill plan, without the engagement of residents. As NYCHA stands at the precipice of privatization, it is important that we understand how it got there.



Alfred E. Smith Houses and neighboring housing on the Lower East Side
“Looking Down Pearl Street/St. James Place from Brooklyn Bridge, Manhattan, New York,” by Ken Lund is licensed under [CC BY-SA 2.0](https://creativecommons.org/licenses/by-sa/2.0/)

“Public Housing That Worked” and Its Problems

NYCHA is the country’s largest housing authority by far, operating nearly 179,000 units of housing with over 400,000 residents.¹ NYCHA’s housing stock is larger than that of the next nine largest public housing authorities combined.² While many local housing authorities have scaled back their operations in recent decades, leading to a reduction of 10,000 public housing units nationally per year,³ NYCHA’s capacity has remained largely intact. Indeed, NYCHA earned its reputation for what researcher Nicholas Dagen Bloom calls “public housing that worked.”⁴

In recent years, however, NYCHA and city leadership have changed course. In the face of federal and local austerity measures, NYCHA cut jobs and services, sold land to private developers, and brought in bank financing. Now, NYCHA is considering a major transformation of public housing with its Infill plan, which would allow private, market-rate housing to be built on eight NYCHA campuses in Manhattan.

NYCHA’s Economic and Social Impact

NYCHA is central to New York City’s housing market, neighborhoods, and larger economy. It accounts for 8.2% of the city’s housing units.⁵

Public housing creates jobs, supports low and moderate wage sectors, and helps maintain a diverse city. Any loss of public housing units would seriously affect the city and its neighborhoods.

- *NYCHA creates jobs.* NYCHA directly provides over 11,500 jobs for staff and third-party contractors, and indirectly creates over 17,000 jobs from all its activities.⁶ Every dollar of the Authority’s “employee and vendor spending” in New York City produces \$1.70 of economic activity.⁷

- *NYCHA supports low and moderate wage employment sectors.* NYCHA helps maintain the local workforce for low and moderate wage jobs. According to a national study, wages in many “high-growth industries...are too low for workers to afford market rate housing costs.”⁸

- *NYCHA helps sustain a diverse city.* NYCHA housing is home to communities as diverse as the neighborhoods they are a part of. Income and employment data show that public housing in New York City is not a place of concentrated poverty. NYCHA housing is home to much of the city’s black, Latino, and immigrant communities.⁹ As NYCHA asserted in a 2006 report, “Public housing plays a vital role in preserving the diversity of...a city faced with a shortage of affordable housing.”¹⁰

- *NYCHA projects are fixtures of New York City neighborhoods.* NYCHA community centers offer space for social gatherings and community meetings, and a home for social services including day care, health clinics, and educational services. Open spaces provide places for residents of NYCHA and surrounding neighborhoods to exercise, relax, and socialize. Since few NYCHA developments include commercial uses, NYCHA residents shop in local stores.

Sectors Employing NYCHA Residents

Healthcare and social assistance

31% of employed NYCHA residents
\$23,700 average annual income

Retail trade

12% of employed NYCHA residents
\$15,700 average annual income

Educational services

9% of employed NYCHA residents
\$29,400 average annual income

Public administration

9% of employed NYCHA residents
\$40,200 average annual income

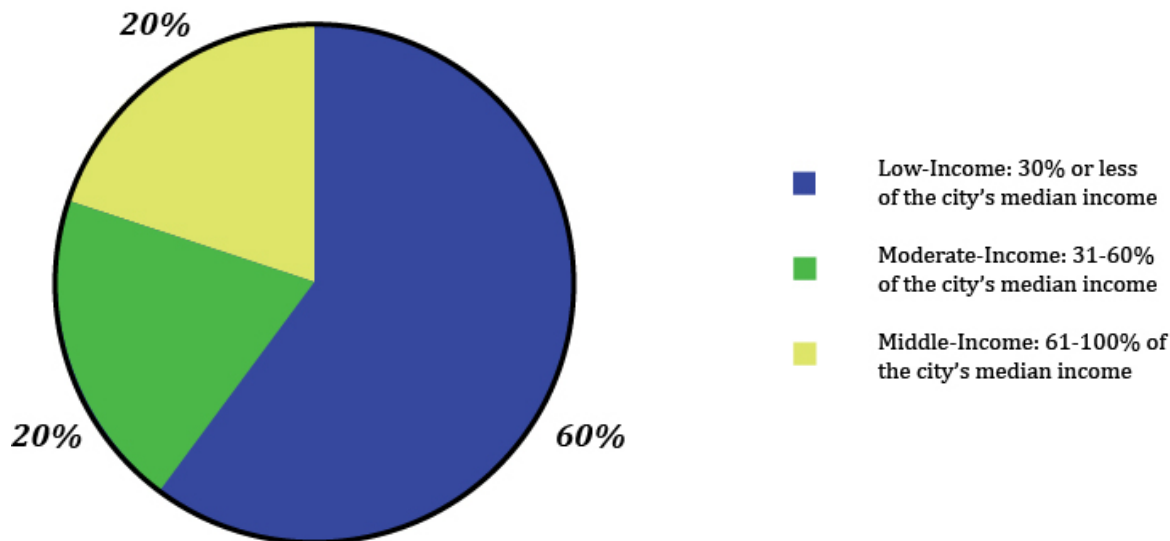
Utilities

<1% of employed NYCHA residents
\$57,600 average annual income

Source: HR&A Advisors, Economic Impact of the New York City Housing Authority in New York City and New York State, September 12, 2013

How did public housing become such an important part of New York City’s economy and communities? A complex set of factors is at play, including New York City’s tight housing market,¹¹ local politics, and tenant advocacy.¹² Above all, NYCHA’s management approach, even with its flaws, has been central to the longevity of its housing.

Figure 1: NYCHA Resident Income



Source: HR&A Advisors, *Economic Impact of the New York City Housing Authority in New York City and New York State*, September 2013

NYCHA's Record of Capable Stewardship

NYCHA has maintained and operated a vast stock of decent housing for nearly 80 years.¹³ Established in response to unsafe living conditions and high rents in tenements, public housing was created to provide quality, affordable housing for low-income working people.¹⁴ NYCHA's mission is "to increase opportunities for low- and moderate-income New Yorkers by providing safe, affordable housing and facilitating access to social and community services."¹⁵ Historically, NYCHA has pursued this mission through careful physical planning and ongoing maintenance.

Designed for light and air. The "tower-in-the-park" design of NYCHA complexes aimed to provide adequate light and air to apartments, open space, and a sense of egalitarianism among residents and the surrounding neighborhoods. The advantages of this design stand out today as many parts of the city have been built out to such high densities that adequate light and air are no longer available to most residents. Although the tower-in-the-park model has since been criticized by many architects and planners, NYCHA's intention was consistent with the fundamental goals of modern urban planning, which seeks to create physical environments that foster a safe, healthy, cohesive community.¹⁶

Sustained maintenance. In the face of vandalism and crime, NYCHA continued to maintain its buildings¹⁷ and launched its own police force.¹⁸ NYCHA operated throughout the city's fiscal crisis of the 1970s, while thousands of privately-owned buildings were abandoned by their owners.

Preservation instead of demolition. In the 1960s, as crime persisted and conditions deteriorated in many public housing developments, the national discourse regarding public housing grew negative.¹⁹ Many localities bought into the notion that concentrating low-income people of color in public housing was the cause of crime and physical disorder. The 1972 demolition of the Pruitt-Igoe housing project in St. Louis was the first in a string of demolitions. NYCHA, on the other hand, continued building housing even into the early 1970s.²⁰ The federal Department of Housing and Urban Development (HUD), following the notion that existing public housing did not work, in 1992 launched the HOPE VI program which provides funding to tear down public housing projects and replace them with lower density, mixed-income housing. Approximately 117,000 units were demolished under the program as of 2010. NYCHA, much to its credit, and thanks to resident organizing, has been a very limited participant in the HOPE VI program.²¹

Rather than abandon the longstanding model of public housing in New York City for redevelopment

schemes that reduce the number of public housing units, NYCHA has continued to be a steward of its 179,000 units. For better and for worse, NYCHA has approached this undertaking with an institutional culture that emphasizes central control and efficiency.

Top-Down Management and Governance

The authority's track record of commitment to public housing has always been complicated by a top-down management approach, exercised in its social policies, design and policing of space, and lack of transparency. NYCHA's governance structure and practices reinforce this approach that excludes residents from decision-making. While NYCHA's top-down approach has been a component of its successful stewardship, it has also caused mistrust and discontent among residents.

Social Control through Tenant Selection and Social Policies. In the mid-twentieth century, NYCHA sought to racially integrate and diversify its housing while expanding the number of eligible higher-income families. This was also supposed to avoid "problem tenants" with low or no income, criminal backgrounds, one-parent households, and tenants with other social needs.²² Apartment design and rules of conduct then reinforced particular notions of "family togetherness," "neatness," and "privacy."²³

Tenant selection and social policies have evolved, but continue to be a powerful tool for "social control." NYCHA has maintained a long-standing ban on residents with criminal records. NYCHA also publishes in its tenant newsletters a list of people who are banned from entering public housing. While such policies may aim to support the safety and diversity of NYCHA communities, they can also lead to discrimination and exclusion. They can unfairly interfere in residents' everyday lives—and even family and social relationships. NYCHA has recognized this and in some cases worked to mitigate impacts of its policies. For instance, NYCHA is currently operating a pilot program to allow some ex-offenders to return to their families in public housing.²⁴

All managers of housing programs, including public housing authorities, exercise discretion in selecting tenants. These policies, however, should

be part of a fair and democratic process that takes into account the integrity and rights of applicants and tenants, and includes tenants in making these decisions.

Paternalism in Design and Policing. With NYCHA's commitment to public safety through maintenance, design, and policing came top-down planning and implementation. Faced with public pressure to reduce crime, in the 1970s NYCHA and other authorities turned to the *defensible space* theory, which claimed that public spaces could be designed to reduce or prevent crime by facilitating natural surveillance by residents.²⁵ In practice, places where residents gathered were treated as potential crime scenes. Accessibility was limited in these spaces, producing fenced-in pathways and inaccessible courtyards. Today, these open areas are deemed underutilized (and perhaps potential sites for development). NYCHA's designs also failed to utilize residents' local knowledge. Fences were sometimes built too tall and actually blocked sight lines (fence heights have since been reduced).²⁶

"Police harass young males ages 16-35 who were born and raised in these projects. You can't even visit a friend without police harassment."

-NYCHA Resident

A Report Card for the New York City Housing Authority (NYCHA): Residents' Evaluation of NYCHA and Recommendations for Improvement, 2011, available from Community Voices Heard

Policymakers also embraced the complementary "broken windows" theory of policing, which assumes that "small disorders," such as graffiti and other low-level crimes and quality of life issues, "lead to larger ones and perhaps even to crime."²⁷ In New York City, this led to a move from community policing to zero tolerance for even the most petty of crimes.²⁸ Public housing complexes—and by extension, residents—were targeted with a near-constant police presence. In particular, the NYPD's controversial "stop and frisk" tactics have allowed police to question and search people they deem suspect based on appearance or behavior—usually young black and Latino men.²⁹ Many residents associate increased police

“At best, a handful of resident leaders consult [NYCHA] on policy decisions and then the agency implements the policies they deem important even against the expressed needs and wants of the overwhelming majority of residents. At worst, NYCHA violates federal regulations by making policy changes without resident input and then the U.S. Department of Housing and Urban Development (HUD) does nothing to sanction the agency. Either way residents are alienated from shaping the policy that affects them.”

– Vincent Villano and Sondra Youdelman

Vincent Villano and Sondra Youdelman, “Democracy (In)Action: How HUD, NYCHA and Official Structures Undermine Resident Participation in New York City Public Housing,” 2010, available from Community Voices Heard at September 12, 2013

surveillance with a higher sense of safety,³⁰ but others, especially young people, “chafe at what some describe as an occupying force” by police, as *The New York Times* observed.³¹

Lack of transparency. NYCHA is known among tenants, advocates, and researchers as protective and controlling of information about its finances, planning, and decision-making. Local elected officials and advocates have repeatedly called for reforms to NYCHA’s management structure and practices to improve transparency.³² In Spring 2013, elected officials and residents argued that NYCHA failed to inform and engage the public on the development of plans for the Land Lease Initiative.³³ Community board members reported frustration with NYCHA’s “secrecy,” and gaps in information given to the public.³⁴ This erodes public confidence in the Authority.

NYCHA’s governance structure reinforces the agency’s traditional paternalism. For decades, the authority’s three-member, *mayor-appointed* Board featured representatives of the business and development community, and no tenant members. A tenant member was added to the Board in 2011, but he was not directly elected by residents.⁴¹ NYCHA continued to pay its Board members a salary long after best practice recommended that they be volunteers.⁴² In 2013, New York State passed legislation requiring a restructured board with seven nonsalaried, term-limited members, three of whom are tenants.⁴³ However, the tenant representatives are appointed by the mayor and the

board remains entirely under mayoral control.⁴⁴

Lack of resident involvement. NYCHA’s formal tenant engagement mechanism is the Resident Associations. According to a recent survey, Resident Associations are not well utilized by residents,⁴⁵ or consulted with by NYCHA on policy or programs.⁴⁶ Rather, they are one-way conduits for the Authority to communicate its policies to tenants. NYCHA shares information with the associations selectively. Residents are voiceless even when it comes to their own developments, often left with little influence over maintenance priorities, or the design or use of the open spaces.⁴⁷ Resident Associations have little involvement in planning, budgeting and policymaking.

“One reason NYCHA receives little public support is that the public knows little about NYCHA, including the housing research and advocacy community. NYCHA’s current structure cultivates insularity, inflexibility, and political intrigue.”

– Professor Phillip Thompson,
Massachusetts Institute of Technology

Phillip Thompson, “Public Housing in New York City,” in Housing and Community Development in New York City: Facing the Future, ed. Michael H. Schill, 136

Figure 2: Local Elected Officials’ Calls for NYCHA Reform and Transparency

When	Who	Recommendations for Reform
January 2013 ³⁵	City Council – Members Christine Quinn, Rosie Mendez	More user-friendly tenant call center and online system Report all repair requests Public list of infrastructure and equipment status
August 2013 ³⁶	Public Advocate – Bill De Blasio	Publicly track repairs and NYCHA responses
August 2012 ³⁷	Manhattan Borough President – Scott Stringer	Restructured Board with more tenant reps Grants and training for tenant organizations Public release of consultant report on NYCHA operating efficiencies
July 2013, ³⁸ July 2012 ³⁹	Comptroller – John Liu	Publish detailed operating budget all spending Disclose transactions with NYPD Disclose repair requests and NYCHA responses
July 2008, 2004 ⁴⁰	Comptroller – Bill Thompson	Report on vendor selection and contract value Disclose employment program results

Infill Plan Embodies the Top-Down Approach

The 2013 Land Lease Initiative to use NYCHA open spaces for private, market-rate housing was developed with typical top-down planning. It was presented as part of NYCHA’s Annual Plan, which each year is presented to residents at the *end* of the planning phase, only weeks before it is submitted to HUD.⁴⁸ As then-Councilmember and current Manhattan Borough President Gale Brewer said of the Land Lease Initiative, “the real horror of this proposal is that it has no community input.”⁴⁹

The infill plan is NYCHA’s largest and most comprehensive move towards privatization, but not its first. As laid out in Part II of this report, federal and local policies have drained local housing authorities of public resources while promoting public-private partnerships. Under Mayor Michael Bloomberg, NYCHA undertook new management priorities and began looking to private sources and new austerity measures. This shift was first marked by a 2005 partnership with the Department of Housing Preservation and Development for private development and a 2006 organizational plan that highlighted a new focus on public-private partnerships. In 2009, incoming NYCHA Chair John Rhea picked up where the 2006 plan left off, expanding the study of private infill development, contracting out services, and identifying private financing.⁵⁰ Rhea’s leadership also introduced the language of finance and real estate (“development portfolio,” “customer service,” “the way we do business”⁵¹), emblematic of NYCHA’s larger shift from a steward of housing towards a business with a bottom line.

NYCHA’s new private partnerships and austerity measures, described in the next section of this report, have largely been implemented without consultation with residents. As a result, they have been met with confusion and opposition. They mark NYCHA’s move to abandon its historical commitment to publicly provided housing for those who need it the most.

II. The Rise of Public-Private Partnerships

For more than a decade, federal and city governments have reduced their support for public housing and backed public-private partnerships for operations and new development. This has encouraged local authorities to seek private investments and to view their land and buildings as capital assets rather than communities. Over the last decade, NYCHA has undertaken several public-private partnerships. The public benefits that have resulted from these vary considerably. These partnerships have moved the authority towards privatization, with the Land Lease Initiative being the most dramatic and bold initiative favoring private developers.

In the last decade, NYCHA's moves towards privatization included:

- NYCHA's 2006 and 2011 strategic plans, which open the door for private development and other private partnerships
- Partnerships with private developers managed by the city's Department of Housing Preservation and Development (HPD)
- Selling and leasing NYCHA land for new, private development
- The study of NYCHA's "unused development rights" and potential development of open spaces by NYCHA and public officials, including a study by former Manhattan Borough President Scott Stringer
- Financing of 21 projects by Citigroup
- HOPE VI Redevelopment through public-private partnerships
- Reducing and contracting out community services
- The 2013 Land Lease Initiative



Nationally, thousands of public housing units, like those shown here in New Orleans, have been demolished and redeveloped through public-private partnerships through initiatives like HUD's HOPE VI program. NYCHA has not scaled back its operations dramatically, but has expanded its private partnerships for housing development and operations and services.

Photo by: Tom Angotti

Since the 1980s, local governments have been selling off assets, privatizing services, and handing out tax breaks to private developers. These public-private partnerships are said to be the answer to alleged government incompetence and dwindling resources.⁵² Government no longer directly builds (and in many places has stopped operating) public housing. Instead, HUD provides vouchers to subsidize rents in private housing, tax credits to incentivize the development of private affordable housing and HOPE VI funds to build private housing on former public housing sites.⁵³ As federal and city policy has shifted from public stewardship to private partnership, so has NYCHA.

Unlike many other large housing authorities, NYCHA has not abandoned and demolished its housing stock. However, it has moved stealthily in a direction that favors private over public housing.

NYCHA's 2006 *Plan to Preserve Public Housing* and the 2011 *PlanNYCHA* are filled with vows to preserve NYCHA housing, but they have opened the door to the private sector in ways that can jeopardize the authority's public mission. Tracing steps NYCHA has taken towards privatization, as well as political and market forces that influenced NYCHA's organizational shift, Part II of this report provides the context for NYCHA's 2013 infill plan and current state of affairs.

Federal Policy and the Luxury City

By the early 2000s, the stigma of high-rise public housing that had emerged in the 1960s was embedded in housing policy nationally. Federal funding continued to move away from traditional public housing. NYCHA was indeed strained by declining federal funding. State aid ended, and support from the city was reduced and unpredictable. At the same time, an emphasis on fiscal austerity and reliance on private sector initiatives informed policymaking at all levels of government. NYCHA began a transformation in management culture and practices, moving away from a strong legacy of stewardship to private partnerships.

New York City's public sector also underwent a dramatic transformation under the twelve-year mayoral administration of Michael Bloomberg, who governed with a private sector ethos. Bloomberg is

a Harvard Business School graduate who started his career on Wall Street, and entered public office as a billionaire media executive. He brought to the mayor's office his private-sector management approach, including an emphasis on numbers-based program evaluation and the value of management experience over substantive expertise.⁵⁴ Bloomberg's approach to development gave priority to market-rate housing, as part of efforts to attract more wealthy individuals to live in the city, which the mayor claimed is best path to economic growth. Such policies tended to transform New York into "the luxury city."⁵⁵

The Bloomberg imprint on NYCHA was more apparent when he appointed John Rhea as NYCHA chair in 2009. As described in *The New York Times*, Rhea was "a former banking executive with no prior housing experience."⁵⁶ A graduate of Wesleyan University and Harvard Business School, Rhea had worked at top-tier investment companies including JPMorgan, Lehman Brothers, and Barclays. While he lacked the human services background of his predecessor,⁵⁷ his financial and management expertise qualified him, according to the Bloomberg administration, "to...create long-term financial stability at the Authority, and to ring in a new era of transparency and agency responsiveness." NYCHA's primary directive thus became to achieve financial stability through private investment.⁵⁸

NYCHA's Road to Privatization

Eight significant moves signal NYCHA's path towards privatization.

1. NYCHA's 2006 Organizational Plan.

NYCHA's 2006 *Plan To Preserve Public Housing* marked its first major move away from a policy of housing stewardship. Developed under the leadership of former NYCHA chair Tino Hernandez, the plan signaled NYCHA's emerging management shift. While purporting to save public housing, it proposed rent increases and new public-private partnerships that would make NYCHA eligible for increased federal aid.

2. The NYCHA/HPD Partnership.

A major avenue for public-private partnerships

outlined in NYCHA's 2006 plan was a joint NYCHA and HPD program that would identify and dispose of vacant or "underutilized" NYCHA-owned land for private residential development. The partnership was launched in 2005 and highlighted in the 2006 *Plan To Preserve Public Housing*. Eligible property includes land within NYCHA campuses and separate NYCHA-owned lots. Most of the projects include both market-rate and income-targeted units. Former Chair Tino Hernandez called the partnership a way to "[meet] the goal of providing affordable housing opportunities for all New Yorkers while benefiting from our relationship with other government agencies and the private sector."⁵⁹ While most of the "affordable" units created through the program are targeted to residents earning up to 60% of the Area Median Income for New York City, some of the projects include units for those earning as much as 195% of median income. Unlike NYCHA units, it is not necessarily guaranteed that these units will be income-based permanently. More than 25 projects have been initiated through the program.

3. Private infill development.

NYCHA completed several infill projects even before its proposed 2013 Land Lease Initiative. Many of these were initiated through the partnership with HPD. The partnership was pitched as a way to develop surplus or underutilized land,⁶⁰ but the projects often involve displacement of facilities used by residents. Chairman Rhea acknowledged this in a 2011 presentation to the National Housing & Rehabilitation Association.⁶¹ Infill projects completed and underway include private mixed-income residential buildings, schools, and other uses on NYCHA playgrounds, parking lots, and other open spaces. **Figure 3** details four such infill projects.

4. The 2008 Study Highlighting NYCHA's "Development Rights" and Potential Infill Sites.

A 2008 study released by Manhattan Borough President Scott Stringer, *Land Rich, Pocket Poor: Making the most of New York City Housing*

Figure 3: Private Infill Developments at NYCHA

The Elliot-Chelsea

Location: Chelsea Elliot Houses in Manhattan
Development Sites: parking lots and recreation areas
Cost: \$64.9 million
 •\$4 million paid to NYCHA for sale of land
Size and Type of Development: 168 housing units
 •128 units for people earning 125% to 195% of NYC's Area Median Income (AMI)
 •40 units for those earning <50% of AMI
Status: Completed in 2012

Harlem Children's Zone

Location: St. Nicholas Houses in Manhattan
Development Sites: parking areas, playground
Cost: \$100 million
 •\$7 million paid to NYCHA for sale of land
Size and Type of Development: charter school
Status: Completed May 2013
 •Tenants sued, claiming that the project unlawfully alienated parkland. The suit was dismissed in April 2013.

Arbor House

Location: Forest Houses in the Bronx
Development Sites: open green space, walkways
Cost: \$37.7 million
 •\$1.242 million paid to NYCHA for sale of land
Size and Type of Development: 124 private residential units; roof garden operated by private, Boston-based company
 •124 units targeted to people earning up to 60% of AMI, preference for NYCHA tenants
Status: Completed in 2013

Highbridge Overlook

Location: Highbridge Gardens houses in the Bronx
Development Sites: open green space
Cost: \$45.2 million
 •\$4.2 million paid to NYCHA for sale of land
Size and Type of Development: 114 housing units, proposed school
Status: In development
 •Tenant selection began September 2013

Source: HPD, NYCHA

Authority's Unused Development Rights, looked at open space and air rights on Manhattan's NYCHA campuses and concluded that there was enormous potential for new private housing development. In this report, public land is studied solely for its private development potential. The report considers opportunities to transfer development rights to nearby lots or lease out open space for infill development. Open areas within NYCHA campuses, designed to provide light and air to the dense apartment buildings, are seen as "unused development rights."⁶² The report thereby calls for public housing land to be viewed as real estate. It takes note of the lack of public review of NYCHA's "piecemeal" private infill projects, and proposes that any plans to dispose of assets be studied as part of a comprehensive plan. This argument, however, also suggests that NYCHA should integrate private development into its overall planning and management.

5. Sale to Citigroup (NYCHA's "Mixed-Finance Modernization Plan").

In 2010, NYCHA "federalized" 21 developments that were built by the city and state and thus received no federal subsidy. NYCHA's term "federalization" is a bit of a misnomer; the developments were sold to a new public-private partnership between NYCHA and Citigroup that now owns and operates the buildings. While the scheme enabled NYCHA to secure new, badly-needed federal operating funds, it also meant that one of the largest banks in the world has a lien on the property. As with any lien, the lien holder can make a legal claim to the property if the terms of the agreement are not met. Citigroup uses the deal to satisfy its Community Reinvestment Act obligations—the investments it must make in "low-income" neighborhoods.⁶³

6. Hope VI Projects and Private Redevelopment.

While NYCHA has not used HOPE VI funds as extensively as other major housing authorities, it has taken advantage of the program to demolish some housing units and create new "mixed-income" housing through public-private partnerships. NYCHA had previously utilized HOPE VI funds in the Rockaways' Arverne-Edgemere Houses, but due to public and political opposition, this project involved only revitalization and no

private development.⁶⁴ HOPE VI projects involving private partners include:

- *Markham Gardens*. 22 low-rise buildings in Staten Island were demolished, displacing over 200 families. Senior and supportive housing was developed, operated through a public-private partnership.⁶⁵
- *Prospect Plaza*. 4.5-acres of NYCHA property in Brooklyn is to be redeveloped by a public-private partnership. While the project proposes a one-to-one replacement of units, the new development will target a broader, higher-income range. Only a portion of the units will be operated by NYCHA.⁶⁶

7. Contracting out services.

Like many New York City government entities in recent years, NYCHA issues a number of contracts to private, often for-profit companies. Under Mayor Bloomberg, "[city] government's spending on contracts [was] \$3 billion more in 2012 than it was [in 2002], and spending on "professional services" contracts has nearly tripled in that time."⁶⁷ NYCHA mirrored this trend, relying heavily on private consultants for management strategy and evaluations.⁶⁸ Through a partnership with the Department of Youth and Community Development, NYCHA contracts out management and services at many of its community centers to non-profit and private groups.⁶⁹ In some cases, residents have reported, contractors operate programs that serve a narrow constituency, reducing access to services and facilities by NYCHA residents. In 2013, NYCHA made a bold privatization move, seeking out private property managers for nearly 900 NYCHA-owned, Section-8 funded housing units.⁷⁰

8. The 2011 PlanNYCHA.

NYCHA's 2011 organizational plan, *PlanNYCHA: A Roadmap to Preservation* picked up where the 2006 plan left off, ramping up moves towards privatization. The plan identifies goals including preserving affordability, stabilizing the authority's finances, meeting the demand for repairs, supporting public safety, and improving operations and management. The plan identified funding shortages as the chief obstacle and highlighted

NYCHA's exploration of "options for building mixed-income and market-rate housing, and for monetizing land and development rights to fund existing NYCHA capital needs."⁷¹ While the plan also includes steps to obtain more federal funding, it identifies public-private partnerships as a priority and lays the groundwork for the Land Lease Initiative, announced in 2013.

The Forces Driving Privatization in New York City

NYCHA's progression towards privatization has been strongly influenced by the booming real estate market and the city's land use and economic development policies.

New York City's Skyrocketing Land Values. First in the 1980s, and then in the new millennium, demand for New York City real estate skyrocketed, driving up housing prices and rents⁷²—and therefore the value of land and air rights—particularly in densely developed neighborhoods.⁷³ Since the 2007-08 foreclosure crisis and recession, pressure mounted on rental apartments. Thousands of existing affordable housing units have been lost since 2002.⁷⁴ Developers and affordable housing advocates alike have supported more private housing construction to meet the growing needs. At the same time, the major investors are increasingly global investment funds and corporations, which are relatively insulated from local labor costs and housing advocacy, and have little incentive to keep housing costs down. Market demand has put a premium on centrally-located land for development, and this has put pressure on public land and community assets such as libraries, parks, hospitals, and public housing.⁷⁵

Government Support for Private Development. In its twelve years (2002-2014), the Bloomberg administration dramatically increased government support for private real estate development through zoning and tax policies.

- *Zoning incentives.* Since 2002, the Department of City Planning completed 124 rezonings, many of which increased buildable floor area and building heights in locations desired by investors, covering 12,000 city blocks, or 40% of the city's land.⁷⁶ The city also approved

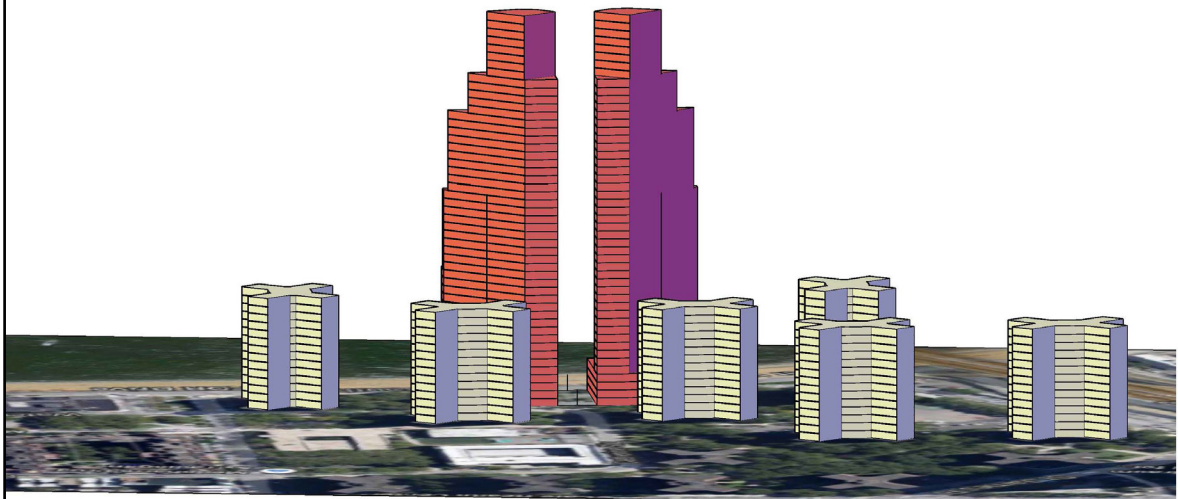
numerous zoning waivers and special permits allowing developers to build even bigger. The Department of City Planning continues to actively utilize zoning incentives and floor area bonuses. By setting aside "public plazas" at ground level, for instance, developers can increase their buildable floor area.⁷⁷

- *Tax incentives.* The city and state offer a range of tax breaks to incentivize certain types of private development. Tax abatements through the 421-a program, for instance, offer 10 to 25 years of exemptions for buildings that include a portion of income-targeted units; as a result, many wealthy condo-owners in new developments are not paying any property taxes. The 421-g tax program targets the conversion of commercial properties for residential use in lower Manhattan.⁷⁸
- *Capital projects.* The city has invested in infrastructure to support new luxury residential and commercial development. For instance, the MTA's 7 train expansion to support rezonings and development on Manhattan's west side⁷⁹ is currently budgeted at \$2.4 billion⁸⁰ and likely to exceed that amount.

NYCHA leadership, seeing the trends in the private market and facing federal support for public-private partnerships, made significant moves towards privatization in the last decade. The 2013 Land Lease Initiative, discussed in detail in Part III, was not an isolated proposal but part of a decade-long trend of favoring private over public development. Understanding this context is necessary to identify what is wrong with the infill plan and to chart better alternatives.

III. The Infill Proposal

Figure 4: Towers created through the Infill plan would be out of scale with the surrounding NYCHA development



Sketch of proposed high-rise towers and existing NYCHA buildings at Smith Houses, Lower East Side

By: Anze Zadel

In 2013 NYCHA proposed the Land Lease Initiative (or “Infill plan”). It would lease open spaces at 8 NYCHA campuses in Manhattan to private developers, who would build 3,000 new housing units, 80% of them market-rate.

A look at the infill plan—and its opposition—underscores how far NYCHA has drifted from its legacy of “public housing that worked” and how it favors the “private” in its public-private partnerships. Residents, advocates, elected officials, housing experts, and lawyers have pointed to problems with the infill plan, including:

- Loss of open space
- NYCHA’s failure to analyze and disclose alternative plans to increase revenue
- The Infill plan would not close the budget gap
- The potential for increasing social conflicts and segregation in New York City’s rapidly gentrifying and increasingly high-cost neighborhoods
- The impact of out-of-scale residential towers within NYCHA complexes
- The negative impact on light and air in existing buildings
- Failure to consult with residents on the plan
- Failure to assess the potential environmental impacts

While the Infill plan has been placed on hold and faces court challenges, NYCHA staff continues to review proposals from developers and could still attempt to proceed with the project.

Overview of NYCHA's Land Lease Initiative

Announced in early 2013, the *Land Lease Opportunity to Preserve Public Housing*, also known as “the infill plan,” would dispose of 14 parcels of land at eight Manhattan projects through 99-year leases for private residential development. It is NYCHA’s boldest public-private partnership and a major step towards the privatization of public housing. Long-term leases, while allowing NYCHA to maintain some restrictions on the use of property, are effectively equivalent to a sale. Lease revenues would support NYCHA’s capital needs, specifically those of the targeted NYCHA developments.

Proposed Infill Project Locations

Lower East Side: Baruch Houses, LaGuardia Houses, Meltzer Tower, Smith Houses, Campos Plaza

East Harlem: Washington Houses, Carver Houses

Upper West Side: Douglass Houses

NYCHA stated that it targeted campuses that have unmet capital needs and are in “neighborhoods [that] have experienced, and are continuing to experience, new residential development, aimed largely at the open market.”⁸¹ In effect, NYCHA chose projects that were in and near Manhattan’s rapidly gentrifying neighborhoods, where housing and land values are high and many low-income renters are being displaced.

From Open Space to Thousands of Market-Rate Apartments. Under the infill proposal, NYCHA would own the land, and receive payments on the leases, while the developers would own and operate the mostly market-rate residential towers. Twenty percent of the units would be targeted to those earning up to 60% of the city’s area median income (up to roughly \$36,120 for an individual and \$51,540 for a family of four).⁸² The proposed development would include:⁸³

- Residential towers with 3,000 housing units
 - 2,200 market rate units
 - 800 units affordable to households earning 60% or less of the city’s area median income
- Ground-floor retail at eight towers, and one commercial development site
- One community facility

The towers would displace approximately 330,500 square feet of open spaces, including:

- Walkways
- Two landscaped areas (more than 20,000 square feet)
- 11 parking lots (approximately 200,000 square feet)
- Two recreation areas including basketball courts and a play area (more than 17,000 square feet)
- A seating area (approximately 18,800 square feet)

NYCHA claims that the new development would generate lease revenues of \$30-50 million per year. These would be used to meet capital needs on the eight NYCHA campuses and anything left over would be shared with other NYCHA projects.

The Public Pushes Back

The negative reaction to the infill plan among residents and housing advocates was loud and clear. They held rallies and protests. Many local elected officials, including then-candidate for mayor Bill de Blasio and Councilwoman Melissa Mark-Viverito (now Council Speaker) asked NYCHA not to proceed with development.⁸⁴ Resident Associations at seven of the eight projects opposed the proposal, and two major lawsuits sought to force the city to run the project through the city’s environmental and land use review processes.

Apparently the general public is also wary of the initiative. A survey by the Community Service Society of New York found that fewer than ten percent of New Yorkers, across income brackets, supported the plan to lease NYCHA land for private, market-rate housing development. More than half of all New Yorkers and 63% of public housing residents want NYCHA to “leave the open spaces with trees, playgrounds, and parking as they are.”⁸⁵

The Bloomberg administration, however, preparing to leave office, sought to anchor the mayor's legacy in as many building foundations as possible. Nevertheless, vocal and organized public opposition to the infill plan forced NYCHA to put the project on hold. NYCHA did not withdraw the plan and continues to review proposals, but told *The New York Times* that it "[did] not expect to move" forward with final selection of projects in the immediate term.⁸⁶ At this writing, the new mayoral administration has not appointed a NYCHA chair or signaled how it will proceed. We offer the following observations for their consideration.

Myths about the Land Lease Initiative

"It is the only alternative to NYCHA's budget woes."

The plan's primary purpose, NYCHA argues, is to generate new revenue to balance its budget. Projected lease revenues would offer millions of dollars in new funds annually, but would not meet NYCHA's operating gap or estimated capital needs. As discussed in Part IV, there are other funding options that are supported by residents, do not undermine NYCHA's mission, and would do more to close NYCHA's funding gap.

"It will create socially integrated communities."

NYCHA maintains that the new developments will increase socioeconomic integration at NYCHA complexes. Instead, infill is more likely to create internally segregated communities and increase class and race conflicts. Physical proximity does not necessarily lead to greater social interaction or real social benefits. The NYU Furman Center found that, citywide, people live in more racially diverse neighborhoods, but social, educational, and health outcomes are racially disparate.⁸⁷ New York City has diverse class and ethnic groups, yet remains an

economically and racially segregated city.

"It will fit in with the existing buildings."

Residents have noted that the new towers would be out of scale, a point Chairman Rhea acknowledged as well.⁸⁸ (See **Figure 4** on page 18.)

"It will integrate the tower-in-the-park projects with the surrounding street grid."

The solution to the problems of the "tower-in-the-park" model is not to take away the park, build even taller towers, and create a uniform landscape of high rises. The new towers would cast shadows on existing residential units and open space, potentially restricting light and air—among the main benefits of the original designs—without structurally changing the street grid or layout of the superblocks.⁸⁹ It would only magnify the problems with the tower-in-the-park without enhancing its benefits.

"NYCHA consulted with residents on its plan."

The Land Lease Initiative was widely criticized for its perfunctory and superficial review.⁹⁰ NYCHA held public meetings regarding organizational plans that laid the foundation for the Land Lease initiative.⁹¹ The outpouring of community opposition to the plan, however, indicates that the meetings did not allow for true engagement and NYCHA did not address resident concerns. Aside from losing open spaces and community centers, residents were concerned that there would be serious impacts during construction, and that they could be displaced by the rising cost of living in their neighborhoods.⁹² NYCHA plowed forward without addressing the deeply-felt concerns of residents.

With the infill plan, NYCHA "[has] been super aggressive, ... very secretive, and not very sensitive to the fact that it is a huge significant change in the way that they are dealing with public housing."

- Lucy Newman, The Legal Aid Society

Nicole Anderson, "Infilling the Park," The Architect's Newspaper, April 17, 2014, last accessed January 5, 2014

“NYCHA considered the plan’s environmental impacts.”

NYCHA paid outside consultants to look at the conditions of the development sites and flag any serious development or regulatory obstacles. However, these limited studies did not evaluate the economic, social, environmental and public health impacts on existing residents and the surrounding neighborhoods as they are required to do under the City Environmental Quality Review guidelines. They do not consider impacts during construction or alternatives. While three of the NYCHA projects are located in the 100-year flood plain, there is no assessment of long-term flooding impacts.⁹³

The fundamental problem with the Land Lease Initiative is that it signals NYCHA’s abandonment of its long history of stewardship without addressing any of its historic management shortcomings. The plan would indeed privatize public housing land, despite NYCHA’s assertions to the contrary. And, while NYCHA argues that lease revenues would fund capital improvements, the estimated \$30 to \$50 million in new funding annually does not come close to addressing NYCHA’s self-assessed multi-billion dollar capital needs. The plan does not advance NYCHA’s mission to provide quality, low-income housing. Moreover, NYCHA initiated the plan without true resident engagement.

The real estate bottom line is the market price of land. The public housing bottom line has been and should continue to be the long-term stewardship of affordable housing for people who need it most. Of course, NYCHA must achieve financial stability in order to achieve this mission. As shown in Part IV, there are more effective financial alternatives to the Land Lease Initiative.

IV. Why NYCHA is Not Broke

NYCHA's serious budget problems were created by public policy decisions and can be solved by public policy decisions. State and city governments withdrew financial support for NYCHA even as they continue to subsidize private real estate development. This trend can and should be reversed. NYCHA's operating deficit can be easily eliminated by ending contracts that require NYCHA to pay for police and other city services, as already proposed by residents and many others.

The City of New York could significantly reduce NYCHA's deficit in capital funds. A thorough, independent audit of NYCHA finances is needed before specific solutions can be proposed. NYCHA's lack of transparency in the management of its funds and projects contributes to the mistrust and suspicion prevalent among residents and advocates. Suspicions run deep that NYCHA's budgetary issues, inadequate maintenance, staffing cuts, and warehousing of apartments are steps on an intentional path to the privatization of public housing.



As Public Advocate, Bill de Blasio called for NYCHA to improve its management of maintenance and repair requests. Many residents, advocates, and elected officials have argued that NYCHA's backlog of unmet repairs is as much the result of mismanagement as of funding shortages.

"De Blasio Demands Prioritization of Most Critical NYCHA Repairs," by Public Advocate Bill de Blasio is licensed under [CC BY-SA 2.0](https://creativecommons.org/licenses/by-sa/2.0/)

The nation's largest public housing authority has an annual operating budget of over \$3 billion⁹⁴ and in 2013 received \$1.36 billion in federal capital funding. In addition to federal support, city council members often designate portions of their capital budgets for new equipment at NYCHA projects in their districts. The city has dedicated bond revenues for NYCHA operations and capital improvements, including \$732 million in 2013.⁹⁵ NYCHA has won special grants including American Recovery & Reinvestment Act funding for modernization projects, funding for Superstorm Sandy recovery efforts, and state grants for capital projects.⁹⁶ Why, then, does the authority argue that it is financially insolvent? NYCHA indeed faces serious budgetary concerns, but it is not without resources or alternatives.

Part IV of this report outlines the significant impact of government funding cuts on NYCHA and identifies feasible alternatives to public-private partnerships. While NYCHA's funding shortages are real, there are many opportunities to close the operating budget gap and meet capital needs. We also challenge the notion that deteriorating conditions in public housing are entirely the result

of budget cuts. Echoing many residents, advocates, elected officials, and reporters, we call out problems with NYCHA's financial management and operations.

Ultimately, funding cuts or potential support for NYCHA are matters of public policy. NYCHA leadership, residents, advocates, and elected officials can and should work to restore city and federal funding to preserve New York City's public housing.

The Impact of Policy: Federal, State and City Cuts

According to Chairman Rhea, "NYCHA and other [local public housing authorities] around the country are being funded at a level substantially below our actual cost of operation, even as determined by HUD."⁹⁷ New York State stopped funding local housing authorities in 1998, and city subsidies "were all but eliminated beginning in 2004."⁹⁸ Only rent revenue, about 30% of the annual operating budget, has remained stable.

NYCHA Operating and Capital Budget*

Projected 2014 Operating Budget

Budget: \$3.2 billion
Deficit: (\$87.1 million)

2014 Capital Plan

Budget: \$1.1 billion
Deficit: \$0
Unfunded Needs: \$6 billion

2013-2017 Capital Plan

Budget: \$3.9 billion
Deficit: \$0
Projected Unfunded Needs: \$13 billion**

**Includes projected revenue from the Land Lease Initiative.*

***Projected cost if NYCHA does not secure additional funds.*

Source: NYCHA Five Year Capital Plan, Calendar Years 2013-2017

Five Year Operating Plan, Calendar Years 2013-2017

Nearly two-thirds of NYCHA’s annual budget comes from HUD’s Public Housing Operating Fund and Public Housing Capital Fund Programs. Since the 1990s, NYCHA has received less operating and capital funding than it was eligible for from HUD, contributing to a cumulative “underfunding” of \$750 million in operating funds between 2001 and 2011.⁹⁹ Capital funding from HUD has declined by 36% since 2001, according to NYCHA.¹⁰⁰ The authority currently reports an estimated \$6 billion capital shortfall, which it projects could grow to \$13 billion by 2017 if its physical needs continue to go unaddressed.¹⁰¹ The 2013 five-year capital and operating plans face even greater cuts due to federal sequestration.¹⁰² NYCHA also reports rising operating costs due to “the soaring costs of energy, pensions, healthcare, worker’s compensation, labor and other non-discretionary expenses that have risen by 49% over the past five years.”¹⁰³

These figures clearly indicate that outside support for NYCHA has declined dramatically. The deficit is not “structural,” however, as NYCHA claims; it is a matter of policy.¹⁰⁴ Funding cuts were public policy decisions made by city, state and federal officials. As discussed in Parts I and II of this report, elected officials have cut federal funding for public housing, while HUD has promoted the demolition of traditional public housing and redevelopment of mixed-income, privately-funded housing. The city has also reduced its support for NYCHA while

promoting public-private partnerships. The deficit is indeed part of a trend of de-funding public housing, but it is not irreversible. Moreover, there are many feasible alternative budgetary measures.

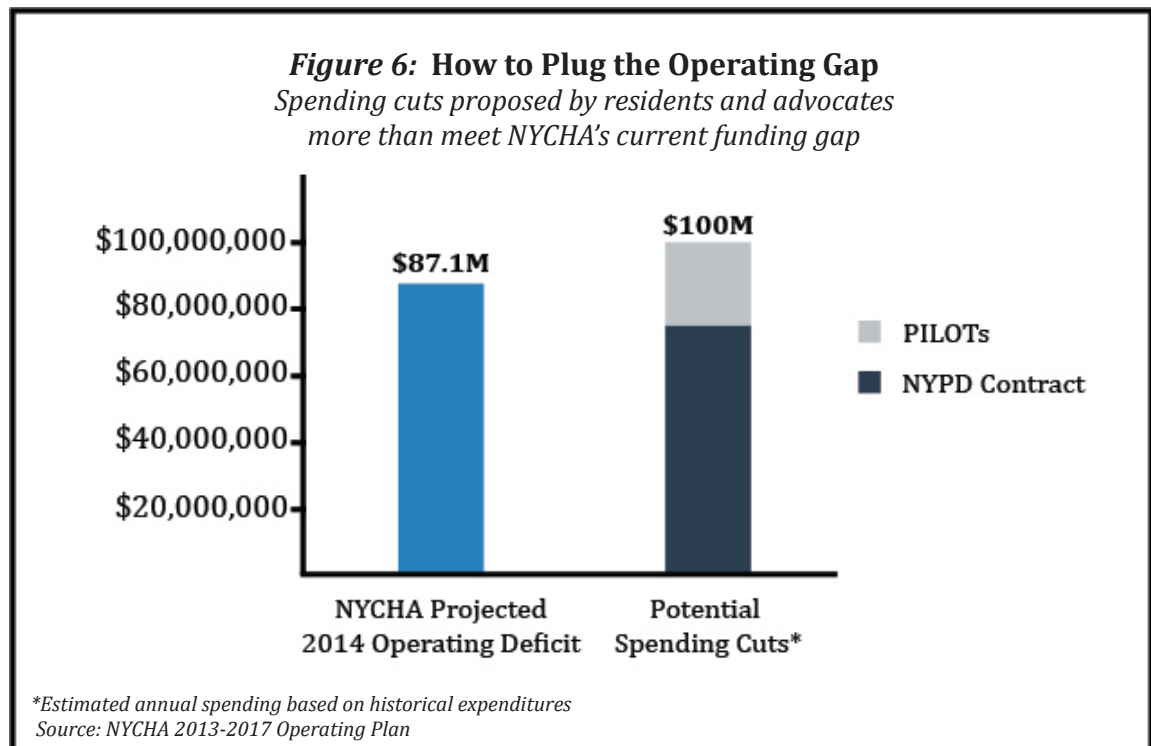
How To Plug the Budget Gap

NYCHA must consider alternatives to the infill plan and other public-private partnerships. We outline some of the alternatives below.

Operating Budget Alternatives.

NYCHA’s *operating deficit* can be easily fixed by uncovering solutions that have been hiding in plain sight:

- *Eliminate the “double tax” on police and other city services.* NYCHA spends nearly \$75 million each year for NYPD services, and roughly \$25 million annually on Payments in Lieu of Taxes (PILOTs) for sanitation and other services.¹⁰⁵ Residents already pay income and sales taxes, like all other New Yorkers, to support these basic services. The Community Service Society of New York (CSS) has argued that eliminating the NYPD subsidy and PILOTs “would cover the operating deficit.”¹⁰⁶ According to CSS, Mayor de Blasio plans to eliminate the contracts that require these payments.¹⁰⁷



- *Stop extravagant spending on big-ticket consultants.* According to a *Daily News* investigation, NYCHA spent approximately \$26 million on consultant advice from 2008 to 2012, or an average of more than \$5 million each year.¹⁰⁸ In 2012, NYCHA released a \$10 million report it commissioned from the Boston Consulting Group (to which Chairman Rhea had business ties)¹⁰⁹ to identify potential operating efficiencies, but the report was released only after NYCHA was pressured by elected officials.¹¹⁰ NYCHA relies on consultants for much of its planning and decision-making,¹¹¹ including the Land Lease Initiative.
- *Address tenant complaints and reduce the amount spent in court.* Each year NYCHA spends up to \$17 million on lawyers, the *Daily News* reported. This includes \$9 million for privately-contracted lawyers, and \$8 million on an in-house legal team to represent the agency in “personal injury, property damage and real estate claims.”¹¹² The *Daily News* argued that NYCHA spends the same amount or less for its roofers (\$2.1 million), exterminators (\$3.8 million), bricklayers (\$6.1 million) and plumbers (\$10.8 million).

Capital Funding Alternatives.

NYCHA estimates that its *unfunded capital needs* total \$6 billion. We are not in a position to evaluate this estimate; this should be a goal of a public audit. However, even a \$6 billion capital need is potentially manageable, both through improving NYCHA’s financial management and new city funding.

- *Unspent government funds?* In the summer of 2012, New York City Council hearings sought to uncover whether NYCHA had spent \$50 million allocated by council members for security cameras. During the same period, press reports revealed that NYCHA had “failed to spend nearly \$1 billion that it has ...[held] since 2009.”¹¹³ In December 2013, the City Council found that more of its funds for NYCHA have languished; \$50 million (or 97.5%) of capital funds for non-security projects designated by the council members since 2008 had not been spent.¹¹⁴ In response to such reports, NYCHA representatives argued that

the pace of spending was a result of local or federal government requirements, lack of additional funds for projects, or lack of capacity.¹¹⁵ These decisions were not made public until the authority was pushed to comment. Given the uncertainty regarding NYCHA’s capital funding and expenditures, the city should initiate a full public audit.

- *City Funding to Preserve Public Housing.* New York City has a \$34.4 billion three-year capital plan, which is for transportation, housing, education, cultural and other projects. These funds are allocated as a result of conscious *policy decisions*. For instance, The New Housing Marketplace Plan, the Bloomberg administration’s signature housing plan to preserve or create 165,000 “affordable” units, received more than **\$5.6 billion** from various City funding streams between 2004 and 2011 (the latest year for which numbers are available).¹¹⁶ The city and state have also encouraged market-rate and middle-income development through developer incentives including a range of tax abatements, tax credits¹¹⁷ and floor area bonuses.¹¹⁸ New York City could commit \$6 billion, comparable to spending on the New Housing Marketplace plan and over the same number of years, to meet the estimated capital needs of NYCHA’s 179,000 housing units.

Given NYCHA’s significant role in the city’s economy and communities,¹ public housing remains in the public interest. The city should therefore expand its support for NYCHA. **The first step is to determine exactly what NYCHA’s needs are through a transparent public audit.** From there, with a clear sense of the scope of need, NYCHA and advocacy groups can work to direct public resources back to public housing. In a city with vast resources, such a commitment to public housing is possible.

Deteriorating Conditions in NYCHA Housing: Budget Deficit or Neglect?

“They’ll make our buildings condos...They’re trying to move us,” a NYCHA resident told *The New York Times*. “You’re not going to have people who are paying market rent to want to live in the same place as low-income people,” a resident associate president said at a public meeting about the infill

¹ See Part I of this report.

plan. “They’ll find a way to transfer people out of here.”¹¹⁹ Many residents echo these questions and concerns. Public meetings on the Land Lease Initiative were filled with residents wondering how NYCHA can lead a massive new development endeavor if it cannot maintain its current facilities. If NYCHA needs money, what other alternatives did it consider? Residents and advocates rarely find these questions answered. Residents are keenly aware of the changes in their neighborhoods, from rising costs on everyday items to rising luxury towers. Most understand the interest of real estate investors in the increasing value of their land.

Lack of information regarding NYCHA’s finances and plans, combined with an acute understanding of New York City real estate pressures, leaves many residents and advocates to speculate about NYCHA’s goals. These concerns are also rooted in the city’s history, in which past government programs like urban renewal displaced low-income communities for new development. Without greater transparency from NYCHA, the public cannot be sure whether NYCHA’s maintenance issues are the result of funding shortages, poor management, or more conspicuous neglect.

Lack of Transparency and Public Engagement Undermine NYCHA’s Credibility. Many of the cost-saving measures identified above were discovered and publicized by researchers and reporters. NYCHA’s \$100 million annual NYPD

payments and PILOTs, for instance, were little known or discussed by the public until they recently gained attention in the media and among public officials.¹²⁰ Only 8% of NYCHA residents knew about the authority’s contract with the NYPD, according to a survey conducted for Community Voices Heard.¹²¹ Active reporting by the *Daily News* and other sources brought NYCHA’s \$10 million Boston Consulting Report and legal spending to light. The slow or uncertain spending of city and federal capital funds was not made public until public officials and press reports pushed NYCHA for comment. Revelations of such untapped savings and funding sources reinforce skepticism regarding the authority’s claims of poverty.¹²²

“I know what needs to be fixed in our development. But as far as [how grants dedicated to improvements were spent], NYCHA decided the needs—I don’t know how.”

- Bronx resident leader

Community Voices Heard, Bad Arithmetic: The Failure of New York City Housing Authority (NYCHA) Recovery Funds to Create Jobs for Local Residents, October 2010

New York’s History of “Blight” and Displacement

Low-income communities have historically been displaced by both private developments and government programs. Perhaps the most prominent example is the federal urban renewal program.

The 1949 Housing Act offered cities funds to condemn and redevelop large tracts of land with the goal of “slum clearance.” To qualify for funds cities had to prove that these areas were “blighted.”¹²³ Blight was so loosely defined that many areas otherwise characterized by active local communities and investment could be designated as blighted.¹²⁴ Urban renewal areas were prime targets for private real estate development. Identifying a neighborhood as blighted, however, led to actual disinvestment: landowners whose property was about to be taken by government had no incentive to invest in long-term maintenance, banks refused to lend, insurance companies refused coverage, and government had no incentive to improve services.

Thus, public policy that was supposed to cure blight actually helped to create it. When neighborhoods were opened up for redevelopment, most residents were displaced. Once a city proved a neighborhood was blighted and won federal funds, it evicted existing residents, demolished housing, and sold the land at favorable prices for new development. The displaced neighborhoods were disproportionately low-income African American and Latino communities.¹²⁵

The Explosion of Maintenance Problems. Over the years, NYCHA has received many complaints and lawsuits¹²⁶ from tenants for its failure to make adequate and timely repairs. Tenants were repeatedly met with claims of inadequate funds or capacity to complete the work,¹²⁷ lengthy challenges in court,¹²⁸ and a mounting list of unmet repair requests.¹²⁹ Though residents and advocates knew of the many complaints, and a series of *New York Daily News* investigative reports pushed on the issue, the exact extent of the maintenance problem was unknown to the public. In 2012, however, a previously unreleased 2011 Boston Consulting Group report revealed the scale of the repair backlog: more than 300,000 open work orders.¹³⁰ The news sparked controversy in the press and among elected officials.

The *Daily News* reports and criticism from elected officials pushed NYCHA and the city to respond. In January 2013, Mayor Michael Bloomberg and Chairman Rhea announced a “Maintenance and Repair Backlog Action Plan”¹³¹ which committed funding to hire 500 skilled workers and introduce new systems to expedite repairs.¹³² NYCHA reported that in ten months it reduced “the number of open maintenance and repair work orders” by approximately 63%.¹³³

In the face of a public challenge, then, NYCHA was able to locate the necessary funds and staff it claimed to be missing. The *Daily News* then reported in December 2013 that many of the “completed” work orders may have simply been removed from the list. NYCHA has not explained these removals.

Residents have also had some success with legal challenges. At Smith Houses in Manhattan, tenants’ claims that NYCHA ignored their requests were validated by a recent court ruling in their favor.¹³⁴ NYCHA also recently settled with a group of tenants who claimed that mold went unaddressed in their apartments and was causing them health problems; the Authority agreed to make necessary repairs immediately.¹³⁵

Cuts to maintenance staff. Between 2005 and 2011, NYCHA cut 11% of its maintenance staff.¹³⁶ In 2013, in the face of federal sequestration, NYCHA leadership announced that it was considering additional staffing cuts.¹³⁷ While NYCHA attributes

these layoffs to reductions in federal funding, they are ultimately a matter of internal policy. As we showed above, when pushed by public criticism and negative publicity, NYCHA has been able to solve problems.

Warehousing apartments. Thousands of NYCHA units have been vacant for years awaiting renovation and repairs. In 2006, City Comptroller Bill Thompson and a number of elected officials lambasted the authority for the slow pace of work that left an estimated 6,500 units vacant, especially given the hundreds of thousands of people on NYCHA’s waiting list.¹³⁸ NYCHA says that it has reduced vacancies, but *The New York Times* reports that it “still allows many units to stay empty for long periods, long enough in some cases for the deterioration to spread.”¹³⁹ In some cases, whole floors of NYCHA buildings remain vacant for years.¹⁴⁰ According to an internal audit, this warehousing of units is costing NYCHA \$1.4 million in rent revenue.¹⁴¹ NYCHA contends that the vacancies are due to a lack of funding for repairs, but auditors determined that NYCHA does have the capacity to do much of the work, and to do it more quickly.¹⁴²

Budget cuts have indeed constrained NYCHA’s operations, but NYCHA has also contributed to the deterioration of its housing stock by ignoring repair requests, cutting maintenance staff, and allowing units to languish in poor condition. NYCHA’s lack of transparency regarding its funding and management of these issues has compounded residents’ concerns and suspicions regarding NYCHA’s intentions. Moving forward, NYCHA should work with residents, community groups, and elected officials to identify its specific funding needs and strategies in an open and transparent way.

V. How to Put the Public Back in Public Housing

The widespread rejection of the NYCHA's Land Lease Initiative by tenants, elected officials and the press made clear the huge disconnect between the authority's planners and managers and the people they serve. The new mayoral administration and NYCHA chair will now have an opportunity to forge new and more solid relationships with residents and staff.

NYCHA residents and workers have put forth many creative ideas about how the agency can move forward. Housing advocates have offered strong policy and program proposals to improve NYCHA. Rather than rely on costly, private management consultants, the city and NYCHA leadership should utilize the intimate knowledge and concern for NYCHA that residents and staff share. Our recommendations in this section are advanced tentatively because we believe that the final decisions must be in the hands of those who live and work in NYCHA's communities.

New York City is home to a strong community of committed housing advocates. NYCHA and the city should engage them as partners to insure NYCHA's long-term viability. These organizations include:

- Community Voices Heard
- FUREE – Families United for Racial and Economic Equality
- GOLES – Good Old Lower East Side
- Make the Road by Walking
- Mothers on the Move
- NYC Alliance to Preserve Public Housing

Proposals and Recommendations

The main thrust of our proposals is to enhance the role of residents and promote more extensive dialogue between NYCHA decision makers, staff and residents. These measures would help put the public back in public housing and rebuild and enhance NYCHA's historic legacy of stewardship.

1. Revamp NYCHA's governance structure to make it more open and inclusive.

Currently, the entire NYCHA Board is appointed by the mayor, including tenant members. Instead, **tenant members should be freely elected by the residents** themselves. Appointments of some board members by the City Council may also help provide a balance and encourage more active debate and discussion. Appointees by the mayor and council, however, should be required to have qualifications and experience as housing advocates or professionals. A ceremonial board that only ratifies decisions made by City Hall or by senior NYCHA staff serves no useful purpose. While many formulas are possible, we suggest the following composition of the NYCHA Board of Directors:

- One-third appointed by the mayor
- One-third directly elected by residents
- One-third appointed by the City Council

This formula would strengthen the role of residents and help enhance dialogue in board deliberations. However, tenants would not make up the majority of the board.¹¹

2. Expand the role of Resident Associations.

Residents are too often consulted only after decisions have been made. Many Resident Associations do not have by active participation by tenants nor does the current relationship with management grant them much influence over

NYCHA decision-making. The Resident Associations should:

- Take part in every phase of the budget process
- Have access to complete information on finances and management
- Receive training on budget, operations, management and planning
- Be responsible for developing and updating

¹¹ Some may ask why NYCHA tenants should not make up the majority of the governing board. As found in some limited-equity cooperatives, residents can be swayed by private interests to support privatization. To ensure that NYCHA remain a public authority and continue to receive public funding, two-thirds of its board should be appointed by elected officials. The board should thus represent a balance of interests and constituencies.

- campus plans as coequals with NYCHA staff
- Have the ability and resources to conduct independent oversight of management
- Be treated respectfully as equals in all communications with managers

3. Institute participatory budgeting at NYCHA.

Residents should be involved in establishing budget priorities and the allocation of NYCHA funds. Participatory budgeting is being used by a growing number of council members to distribute a portion of discretionary capital funds. Residents have already won funding for specific NYCHA projects through participatory budgeting in at least one instance. Why not institute participatory budgeting at NYCHA? The whole NYCHA community has a stake in securing an adequate and just allocation of funds for NYCHA campuses. NYCHA would need to adopt a strategy for inclusive debate and discussion of projects, allowing residents to meaningfully express and influence ideas for improving their housing and communities.

Community Voices Heard recommends that NYCHA “experiment with additional participatory structures for input and oversight [over spending]” of special grants and other programs.¹⁴³ Such bodies could “include representation from the official resident bodies, community-based organizations working or organizing in public housing, relevant labor unions, and elected officials.”¹⁴⁴ These entities should be adequately funded and able to contract professional support.

Based on tenant interviews, HUD’s resident engagement requirements, and best practice among local housing authorities, *Community Voices Heard* recommends that NYCHA “hold...semiannual public hearings, outside of the Annual Plan Process, wherein residents can express their general concerns about NYCHA operations and suggestions for enhanced NYCHA performance.”¹⁴⁵ A comprehensive participatory budgeting process would take this one giant step further.

4. Develop resident-driven plans for all NYCHA Campuses.

For too long NYCHA residents have been presented with landscape designs, community programs, and

management policies that are driven by management’s understanding of efficiency, “broken windows” policing, and deference to a few. NYCHA can and should tap residents’ knowledge and concerns about the environments in which they live. While the form of a new, collaborative planning approach must be determined through discussions between NYCHA, residents, and housing and planning professionals, a basic framework could include the following:

Every NYCHA complex should have a resident-led plan for the use of its land.

Plans may include designs for open space such as recreation areas, plazas, sitting areas, and gardens. NYCHA should provide funding to Resident Associations so they can hire their own professional team to assist them in the planning process; the federal government already provides funding for NYCHA to direct to Resident Associations for such purposes.¹⁴⁶ Plans would subsequently undergo review by the NYCHA board and, where appropriate, community boards.

All major physical changes to NYCHA campuses, including additional built floor area, demolition of facilities, and the reduction of open space, should be subject to approval under the city’s Uniform Land Use Review Procedure (ULURP).

Disposition actions and other major physical changes must undergo review at the federal level, by HUD. HUD requires that the authority conduct *environmental reviews* according to local requirements, but does not explicitly require participation in ULURP, the city’s land use review process.¹⁴⁷ NYCHA has previously submitted to ULURP review for a number of actions that involve a change in zoning, site selection, or other action; for the Land Lease Initiative, however, NYCHA has asserted that developments would only undergo ULURP review for a zoning change to allow new commercial development.¹⁴⁸ City leadership must work to ensure that *all* major land use actions affecting NYCHA are legally required to undergo environmental and land use review.

5. Consider NYCHA Land as a Trust for Permanently Affordable Public Housing

NYCHA land must be understood first of all as the

place that over 400,000 people call home. Until recently, the city in effect considered NYCHA to be in the public trust. Like schools, parks, and other public assets, NYCHA's main purpose has been to fulfill a public mandate. NYCHA land is not and should not become real estate, with its value determined by the private market. In many neighborhoods, NYCHA land and buildings would be highly attractive to private investors, but if sold (or long-term leased) would no longer serve NYCHA's mission. The value of NYCHA assets should be determined by the economic and social impact on the City. Given NYCHA's powerful role in New York City's housing and labor markets, as outlined in Part I, the privatization and marketization of NYCHA land is not in the city's best interest.

A **community land trust** is a non-profit corporation that owns land and leases it only for permanently affordable housing. Individual NYCHA projects could become land trusts, or all NYCHA land could be placed in a trust. The typical land trust governance structure is made up of one-third residents, one-third government appointees, and one-third housing advocates and professionals.

A community land trust should not be established without support by the majority of residents. State and local legislation, and continuing public funding, would be required. The National Community Land Trust Network (<http://www.clnetwork.org>) and New York Community Land Trust Initiative (<http://nyccli.org>) can be resources in exploring alternative trust arrangements.

As the largest local housing authority in the nation, a NYCHA proposal with resident support to establish a land trust could influence the way public housing is treated and operated on a national level.

6. First Steps: Resident-Supported Programs

NYCHA's greatest management flaw is its failure to engage with and utilize the knowledge of residents and staff. In tandem with comprehensive changes to NYCHA's approach to governance, budgeting, planning, and structure, NYCHA could take first steps to engage residents by considering their program and policy proposals. Many of these proposals are feasible and widely supported.

Residents and staff have proposed that NYCHA:

- Conduct an independent audit, allowing residents and advocates to better understand, discuss, and devise proposals for NYCHA's finances.
- Restore the operation of community centers by NYCHA staff
- Coordinate with the NYPD and Resident Associations to re-establish community policing on NYCHA campuses
- Employ and train more NYCHA residents in staff positions, and expand other employment programs
- Promote green jobs at NYCHA
- Support resident-led recycling and composting programs
- Support resident-led community gardens and grow healthy food on NYCHA campuses
- Develop ongoing support and strategic relationships with organizations that work with NYCHA residents.
- Expand access to information on NYCHA operations in multiple languages and via multiple, widely-accessible outlets. Currently, many residents do not know about, utilize, or have access to the media NYCHA uses.

In many ways New York City's public housing still works, providing an essential affordable housing resource for the city's workforce and communities. Yet public housing residents have been plagued by deteriorating physical conditions in NYCHA buildings and unresponsive management. Federal, state, and city funding cuts have indeed contributed to NYCHA's woes. But NYCHA is not broke and its budget shortfalls, created by public policy decisions, can be resolved by public policy makers. The new administration and NYCHA leadership must reverse the authority's stealth path towards privatization, which undermines NYCHA's mission and impact. By opening up NYCHA's management and governance to NYCHA residents, workers, and housing professionals, the authority can return to its legacy as an able steward of public housing while also addressing its serious management problems.

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