

Office of the
NYCHA FEDERAL MONITOR
Bart M. Schwartz
Pursuant to Agreement dated January 31, 2019
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Dear New Yorkers:

I am submitting this quarterly letter to report on NYCHA's performance as required by the HUD Agreement. We had held off on issuing this letter while we worked with NYCHA to conclude negotiations on the following major milestone agreements: (1) the NYCHA Transformation Plan and its accompanying Implementation Plan, which together will produce the Organizational Plan required under the HUD Agreement, and (2) the revised Grant Disbursement Agreement ("GDA"), which will allow NYCHA to access up to \$450 million in state reimbursement funds to replace aging boilers and elevators. These agreements, which I discuss in more detail below, were finalized in the last few days and are key components for lasting change at NYCHA.



Bart M. Schwartz, Federal Monitor

I am also pleased to report that, with my recent acceptance of the Initial Lead Paint Action Plan and the Pest and Waste Management Action Plan, we now have reached agreement with NYCHA on all of the pillar Action Plans required by the HUD Agreement. These Action Plans commit NYCHA to a detailed set of obligations for achieving compliance with the Agreement, with the end goal of providing better, safer, and healthier living conditions for NYCHA residents. Having NYCHA meet the deadlines and commitments in those Action Plans will continue to be a major focus of the work of the Monitor team. The emphasis thus far has had to be on the "Plans" and now the emphasis must be on the "Action." While much has been accomplished, it has been directed at the organizational infrastructure of NYCHA and getting ready to deliver needed change. Now the time has come to concentrate on implementing the Action Plans so that the specified improvements, which are now achievable, reach and directly benefit the residents and help improve their daily lives.

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I. Organizational Plan

As I have explained in the past, the Organizational Plan required by the HUD Agreement is distinct from the NYCHA Chair's "Blueprint for Change," which proposes to create a new legal entity, the Housing Preservation Trust, to generate funding to invest in NYCHA properties. The Blueprint is aimed at capital programs, not day-to-day operations. By contrast, the HUD Agreement is aimed at making NYCHA meet its current obligations to provide, among other things, "decent, safe, and sanitary housing for the public housing residents of New York City and [to] comply with federal law protecting children from the hazards of lead poisoning." In other words, the Blueprint is a proposal for the future and the HUD Agreement is a commitment to the present. A major challenge ahead will be harmonizing these different goals and ensuring that NYCHA does not sacrifice the present for the future.

The Organizational Plan contemplated by the HUD Agreement must consist of both a vision – specific, realizable strategies which, if implemented, would better provide housing for residents and empower staff for success – and a plan for achieving that vision. Together, these parts will set out the proposed strategies, along with a budget, steps towards execution, and timelines for implementation.

The first part of the Organizational Plan – the Transformation Plan – is NYCHA's vision document, describing proposals to improve the functioning of the organization. The Transformation Plan is an unconstrained vision, as if NYCHA were fully funded. The final phase towards completing the Organizational Plan will occur between now and later this year when NYCHA, working primarily with HUD, the SDNY, the Monitor, residents, and consultants hired by NYCHA, develops the Implementation Plan. During the upcoming months, NYCHA will identify Transformation Plan strategies to be implemented, considering budget, staff, and capacity needs. Difficult decisions will be made to prioritize crucial strategies for NYCHA's future success. The Implementation Plan will explain why NYCHA decided to prioritize certain strategies, along with the cost and timelines required for project execution.

During the development of the Implementation Plan, the Monitor's team, along with members from the SDNY, HUD, and residents, will be embedded with NYCHA project managers who will oversee the analysis and planning. Key areas of concentration will be centered around moving more resources to the developments, expanding training, and improving NYCHA's response to work orders. During this period, the Monitor will engage its subject matter experts who will assist in evaluating NYCHA's implementation efforts and advising on best practices. A press release containing further details about the

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Organizational Plan can be viewed at: <https://www1.nyc.gov/site/nycha/about/press/pr-2021/pr-20210308.page>.

II. Grant Disbursement Agreement (“GDA”)

On March 2, 2021, the Dormitory Authority of the State of New York (“DASNY”) and NYCHA executed a revised agreement (“GDA”) that will fund repairs on a fixed number of boilers and elevators at 33 NYCHA locations. Under the GDA, NYCHA can be reimbursed up to \$450 million from state funds after NYCHA submits its paid invoices to DASNY as the work progresses. The Monitor was designated in the GDA to oversee the allocation and use of the reimbursement funds, in addition to his duties under the HUD Agreement.

The original GDA, executed September 5, 2019, required NYCHA to prepare, and the Monitor to approve, a GDA Action Plan. After revisions, an Amended GDA Action Plan, dated December 31, 2019, was approved by the Monitor. Both the GDA and the Amended GDA Action Plan require NYCHA to submit specific information about costs and other matters to DASNY and the Monitor in detail. Based on that information, the Monitor expressed concern about NYCHA’s ability to complete some of the projects in a timely manner.

In particular, the information indicated that the potential costs for the projects in the Phase I Heat Plant pipeline could exceed the estimates set forth in the original GDA and the Amended GDA Action Plan by three to five times. This difference reflected NYCHA’s decision to shift away from replacement-in-kind of steam heating boilers in favor of more comprehensive investments in heat systems. NYCHA expanded the scope of work for these projects, which led to an increase in the budgets for the projects. The Monitor’s experts performed an analysis based on independent estimates and concluded that the costs to perform the revised scope of work for the Phase I Heat Plant pipeline replacements could very well exceed the entire \$450 million of state funding. The Monitor immediately brought these estimates to the attention of NYCHA and DASNY.

Throughout 2020, after much discussion among and between the Monitor, NYCHA, and DASNY, the parties reached substantial agreement on revised project cost estimates, scopes of work, funding sources outside of the GDA, and project documentation, as well as procedures and costs for oversight of the projects and reimbursement review. Revisions to the GDA and to the Amended GDA Action Plan were required. Those revisions to the GDA were completed during the month of February and the Revised GDA was executed on March 2nd. Revisions to the Amended GDA Action Plan also were completed during February, submitted to the Monitor, and were approved and transmitted by the Monitor to NYCHA, DASNY, and DOB on March 1st.

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It is important to note that the issues discussed above have not caused any delay in project timelines because NYCHA is currently funding the projects out of pocket. NYCHA has expended funds to secure the design and engineering work needed to proceed with the projects. NYCHA will begin submitting reimbursement requests in the coming weeks. Also, although issues remain about the increased scope and costs arising from NYCHA's changes to many of the heat pipeline projects, all GDA-funded projects on which NYCHA was working have progressed. Final bids are due for multiple heat projects, and many final drawings for elevators are also due.

I officially assumed my duties starting March 1, 2019. The work of the monitorship has now completed two full years. From the outset I had no illusions about the complexities of this task, and that making the changes that were needed to create decent, safe, and sanitary living conditions for the residents would take time. I look forward to this new phase of the work, and to seeing the benefits of the improvements that NYCHA is implementing for the residents.

Respectfully Submitted,

Bart M. Schwartz