

John B. Rhea, Chairman of the New York City Housing Authority
before the
House Subcommittee on Housing and Community Opportunity

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Chairwoman Waters, Representative Velázquez, other Members of the Subcommittee and the New York Congressional Delegation, I am John Rhea, Chairman of the New York City Housing Authority (“NYCHA” or “the Authority”). I want to welcome the Subcommittee to New York City and express my appreciation for the opportunity to appear before you to discuss NYCHA and its programs to address economic opportunities for the advancement of our residents, and quality of life for the elderly and disabled.

NYCHA is the largest provider of low- and moderate-income housing in the United States, managing 178,489 apartments that provide accommodations to approximately 402,722 New Yorkers. The Authority also administers the nation’s largest Section 8 rental assistance program that serves nearly 97,426 households. Through these two programs, NYCHA provides housing to one out of thirteen New Yorkers.

NYCHA is proud of its historic and enduring commitment to the long term viability of affordable housing for current and future New York City residents, including those with special needs, such as homeless families and individuals, victims of domestic violence, the elderly and disabled, and those who are either unemployed or under-employed. Public housing has remained viable in large part because working families (a historical high of 46.3%) account for a large percentage of NYCHA’s public housing households. At the same time, NYCHA is committed to increasing the opportunities available for even more people to enter and participate in the workforce.

Now celebrating our 75th anniversary, the Authority has been a powerful force and economic engine for the citizens of the City for decades. NYCHA’s \$3.4 billion a year annual budget is spent locally in operating programs and maintaining its properties. A recent study by the *Econsult Corporation* concluded that every \$1.00 of capital expenditures generates \$2.12 in economic return for the local economy through job creation, spending by vendors and suppliers, purchases of goods and services, and increased consumer demand. Similarly, the Syracuse Housing Authority (Syracuse, NY) estimates that for every federal dollar received, there is a multiplier impact to the Syracuse economy of \$3.00. In addition to the infusion of dollars into the local economy through contracting, procurement and wages, NYCHA is committed to developing meaningful employment opportunities for our constituents who are a vital part of the fabric of the City of New York. In order to counteract the effects of the current recession and increase economic opportunity for residents NYCHA strongly advocates for legislation that will increase training and employment opportunities.

NYCHA’s Section 3 Accomplishments

In furtherance of the goals of Section 3, NYCHA has a wide range of programs that go beyond mere employment in the construction and capital-modernization industries. For example, NYCHA itself employs 3,016 residents as full-time employees, which constitutes more than 25% of the Authority’s total work force. These residents hold a wide range of positions from central office to field operations at the

developments. They include community service workers, clerical and administrative staff, caretakers, groundskeepers, housing assistants and trades personnel. In addition, many of the Authority's senior managers grew up in public housing and started their careers at NYCHA in entry level positions. Moreover, additional NYCHA residents are hired seasonally to perform work in the areas of grounds and janitorial maintenance from June through October, and to work with children attending NYCHA's community center summer programs. This year, we are hiring 875 residents for seasonal employment; to date 841 are on board.

Over the last seven years, NYCHA has implemented new program models and imposed mandates on its contractors in an effort to ensure compliance with Section 3. For contract awards between \$100,000 and \$500,000 to the greatest extent feasible 30% of all new hires of contractors must be Section 3 residents. Where the contract is valued at \$500,000 or more, 15% percent of a contractor's total labor costs must go towards employing or training NYCHA residents. With the implementation of NYCHA's Construction Management/Build ("CM Build") Program in 2005, agency contractors and subcontractors under the program are required to establish one State-approved apprenticeship slot for every \$2 million in task orders issued, and prepare residents for the apprenticeship positions that are created from the CM Build contractual requirement.

In 2006, NYCHA contracted with the Edward J. Malloy Initiatives for Construction Skills to operate the Pre-Apprenticeship Training Program ("P-ATP"). NYCHA's P-APT seeks to create highly-skilled and highly-paid apprenticeship jobs as well as a pool of qualified residents in the building and trades industry. The contract provides for six weeks of training, placement in union apprenticeship programs, and retention support services. As of July 10, 2009, 358 participants have completed the P-PATP and 221 have been placed in apprenticeship programs.

NYCHA maintains a Department of Resident Employment Services ("RES") to oversee the Authority's Section 3 efforts. Not only does RES monitor contractors, but it also provides them with viable employment candidates by assisting with referrals of qualified NYCHA residents to employment. NYCHA's departments that bid contracts and/or procure services are required to ensure that bids include a Section 3 hiring plan. RES is responsible for approving both the plan and monitoring compliance. NYCHA requires that all new construction, modernization and maintenance contracts enforce Section 3 requirements.

Recently, NYCHA's Section 3 program expanded to include non-construction contracts, bringing employment opportunities also to service contracts; such as security guard services. Where NYCHA has contracts for private property management, contractors are required to hire clericals, receptionist and maintenance workers. This is far beyond the requirements of the current law. See, 12 USC §1701u(c).

Training is critical to preparing our residents for work. Our collaborations with a range of training vendors through both contractual obligations and collaborative partnerships, allow the Authority to offer a diverse portfolio of training opportunities to prepare residents for employment. NYCHA is partnering with providers who offer not only job skills training for NYCHA residents but also offer job placement for students who successfully complete training. In 2008, RES training programs resulted in 307 job placements and as of July 10, 2009, RES programs resulted in 153 job placements this year.

NYCHA also partners with the New York City Human Resources Administration ("HRA") to provide a *Back to Work* ("BTW") resident employment initiative for Authority residents. BTW offers job seekers career counseling and a network of employment opportunities. Services range from job placement and job readiness, to educational and training services, as well as career advancement and financial planning.

NYCHA, the Center for Economic Opportunity ("CEO"), Manpower Demonstration Research Corporation ("MDRC"), HRA and City University of New York ("CUNY") are collaborating to implement *Jobs Plus* at Jefferson Houses. Jobs Plus is a development-based, on-site employment and training program to assist public housing residents in becoming economically self-sufficient. This nationally recognized model has demonstrated success in six other cities by intensely focusing on recruitment and job placement in a specific development. Core components include: employment-related services and activities, financial incentives for work and community support. Implementation is scheduled for fall 2009.

There are two draft bills before the Subcommittee addressing the employment of public housing residents. I am here to express NYCHA's general support for these goals and to present comments that we believe would strengthen these proposals.

Home Health Care Training

NYCHA was honored that Congresswoman Velázquez chose to launch her proposed pilot program involving Home Health Care Training at the Lower East Side I Community Center. NYCHA is excited about this opportunity since it will enable us to expand a program that the Authority has undertaken with LaGuardia Community College, to train residents as Home Health Aides.

The proposed bill, the *Together We Can - Act of 2009*, establishes a competitive grant program to train public housing residents as home health care aides and as providers of home-based health care services.

Societies are often measured by how well they care for their elderly and disabled. Few policy goals are more honorable than preventing the displacement of our elderly and disabled with otherwise unnecessary or premature institutionalization. Over 35.2% of NYCHA households are headed by an individual over 62 years of age. In addition, Social Security, SSI or pensions support 40.9% of NYCHA families. Perhaps more telling is the fact that the number of seniors has grown from 14.6% (67,132) of the population in 1990 to 17.7% (71,304) in 2008. The number of seniors in public housing living alone has grown 4% in the last five years, from 35,467 in 2004 to 36,958 in 2009. The number of NYCHA-based NORCS (Naturally Occurring Retirement Communities) has grown from 7 in 2005 to 11 in 2009—resulting from an increasing number of elderly residents who are aging in place. The need for trained and licensed home health care workers is great and is growing.

We therefore applaud this proposed program because it recognizes not only the needs of our aging and disabled population, but targets a growth industry where there is a pressing need for trained para-professionals. It is an innovative way to create jobs for public housing residents while providing meaningful assistance to other residents in need of such services.

The cost of hospital care has forced hospitals to substantially reduce intensive inpatient care services. Home health care addresses this gap and offers a more personalized approach to health care service delivery. It also permits individuals to age in place and receive services that would otherwise require institutionalization. It is an essential service for those requiring assistance with basic living needs such as cleaning, bathing, taking of medication, getting to medical appointments, and cooking, etc.

While the economy has lost jobs in manufacturing and other blue collar industries, the health care sector continues to grow. To meet this demand, para-professionals need to be trained and certified. In the case of public housing residents, it is important to have health care aides that are close at hand, who are comfortable with the neighborhood and who can understand and be understood by their clients. By certifying workers, they gain the opportunity to earn a decent living in a growth industry. Trained public housing para-professionals will not be limited to assisting fellow residents but their skills will enable them to work anywhere. This bill authorizes funding for employment training as home health care aides for public housing residents, as well as transportation, child care and other associated costs that often impede individuals of modest means when seeking educational and training opportunities. The pilot authorizes \$2.5 million in appropriations for FY2010, FY2011 and FY2012.

Our principal comment is that greater funding should be provided for the pilot program. Based on our knowledge of similar training programs we recommend an initial funding level of \$20 million for each of the three consecutive fiscal years, providing an estimated \$5 million per grantee.

Finally, given the diversity of the population of public housing residents, we recommend additional consideration be accorded to grant applications involving residents whose native language is not English.

Section 3 Reform – Earnings and Living Opportunity Act

The *Earnings and Living Opportunities Act* would substantially modify the current provisions of Section 3 of the Housing and Urban Development Act of 1968.

While NYCHA supports the goals of Section 3, it has been a challenge to implement, and has long been an unfunded mandate requiring the Authority and other housing authorities to divert increasingly scarce operating resources to administer the program. The funding provided in this bill is welcomed by NYCHA. NYCHA currently spends approximately \$2 million for staff directly associated with resident employment and Section 3 compliance. With dedicated funding, housing authorities' capacity to carry out Section 3 goals and objectives will be enhanced. Additional staff monitoring the program will assure greater compliance and thus provide more employment with contractors, additional training options in a more diverse set of industries, as well as more timely placement of residents into jobs. This in turn should result in increased earnings for residents, greater self-sufficiency with less dependence on federal subsidies and lifting more families out of poverty. However, to make the legislation meaningful, we recommend that the funding level should be significantly increased from \$5 million to at least \$50 million nationwide. Additionally, we believe that housing authorities should be allowed the flexibility to include other recipients of HUD assistance, such as Section 8 participating families, in the employment priorities. We also recommend a set-aside to fund a resident mentoring program to work with residents as they participate in Section 3 training and to encourage them to complete the course of training.

I would like to highlight additional considerations with respect to the proposed legislation. Economic constraints and local labor conditions make it difficult to achieve the numbers contemplated by Section 3. However, the provisions of the bill setting an immediate requirement that 30% of *new hires and 30% of the hours worked* be performed by residents, creates a target that places housing authorities in a difficult position of not being able to comply with Section 3. We recommend that 30% of new hires be the standard as it is an achievable goal given the contractor's in-place workforce, and the total percentage of hours worked by Section 3 employees should be prescribed in the contract as determined during negotiation.

Another concern is the draft bill's contract compliance provision. It requires the contractor, *after* contract award but *before* commencing work, to "clearly demonstrate" how compliance with Section 3's targets will be achieved. We recommend that such demonstration occur prior to contract award. The format proposed by the bill will lead to unnecessary disputes between contractors that have been awarded a contract and the reviewing agency that then examines a compliance plan only to find it insufficient. That review should be done before any award is made. Otherwise, we face the prospect of contract delays and potential litigation.

Finally, we are particularly concerned that the proposed sanctions include the reduction of future funding for housing authorities unable to meet the hiring and contracting targets. The bill would punish residents residing in developments belonging to non-compliant housing authorities. Sanctioned agencies will incur reductions in funding that will adversely affect their ability to maintain core services, thus resulting in fewer resident services. We believe sanctions should be directed at contractors and unions that are unwilling to participate in Section 3 programs. We also observe that many of the skilled apprentice programs are run exclusively by the unions that are unable to provide the required training for the number of residents contemplated by this bill. The bill imposes requirements that will reduce opportunities for otherwise qualified contractors, particularly *Minority and Women owned Business Enterprises (MWBE)*. Many such contractors are unable to absorb the hiring requirements contained in the draft bill.

NYCHA's Implementation of the 2009 American Recovery and Reinvestment Act

This focus on Section 3 is timely as it ensures that the employment possibilities provided by the American Recovery Reinvestment Act (ARRA) will reach our residents. This infusion of funding will allow NYCHA to modify and expand our Section 3 efforts thus providing greater opportunity to residents seeking employment. The Authority received \$423.3 million in stimulus funding through ARRA for capital improvements including badly needed major interior renovations, brick repair and roof replacement,

mechanical and electrical system upgrades and elevator replacements. Employment opportunities generated from contracts awarded with ARRA funding are expected to provide meaningful employment opportunities offering skilled residents valuable work experience. Most jobs will be construction related and pay prevailing wages. Other employment opportunities will range from back office work to security and management assistance on construction sites. Residents will be able to build a resume of experience and be competitive when applying for their next employment opportunity.

To date, 36 contracts have been awarded totaling \$130 million. We anticipate awarding approximately \$100 million in contracts by the end of September 2009 and the remainder by the end of December 2009. RES and NYCHA's Capital Division are working closely with contractors to ensure that commitments for resident hires are met in accordance with NYCHA's Section 3 standards.

Over the past seven and a half decades, the New York City Housing Authority has been given the gift of overseeing a tremendous legacy - a decent and affordable place for millions of low- and moderate-income citizens of the City of New York to nurture and raise their families. We must ensure that the opportunities that enabled so many who grew up in public housing to lead lives of accomplishment, such as Judge Sonia Sotomayor, are extended to the widest possible group of residents. Our mission is not just to provide core services but also to offer programs that assist our families to gain self-sufficiency. NYCHA meets that commitment every day as we connect and preserve the entire continuum of community – our working families, our youth, our elders and disabled residents.

Thank you again for allowing me to address these important measures and I welcome such questions as you may have.