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**Gale A. Brewer, Borough President**

March 12, 2019

Kathryn Garcia  
Interim Chair  
New York City Housing Authority  
250 Broadway  
New York, NY 10007

Dear Chair Garcia,

NYCHA's NextGeneration PACT/RAD Request for Proposals for Manhattan developments (RFP #68035), released on February 1, 2019, made available the opportunity for a selected bidder to rehabilitate and manage over 1,700 NYCHA units slated for conversion from Section 9 public housing into Section 8 housing. These units span 14 NYCHA developments across Upper Manhattan. Additionally, the RFP includes two unfunded NYCHA developments: one at 344 East 28th Street in the Kips Bay neighborhood and the Wise Towers on the Upper West Side.<sup>1</sup>

As I testified before the NYCHA Board on February 13, 2019, several of the RFP's threshold requirements—particularly, prior experience with at least one tenant-in-place rehabilitation project of \$75 million or more in total development cost; and prior experience managing 1,700 or more affordable housing units—are set in such a way that locally-based nonprofit developers and community development corporations (CDCs) are effectively excluded from the bidding process.

Upon reviewing the RFP, I reached out to six Manhattan nonprofit developers that are well established in their respective community and have completed quality affordable housing rehabilitation projects:

- Four have completed rehabilitation projects in Upper Manhattan, the clustered geographic location for most of the 16 bundled properties in the PACT RFP, and they manage affordable housing units in-house.
- Two have completed rehab projects in Lower Manhattan and manage affordable housing units in-house or through partner management companies.
- All are experienced in affordable housing finance. Projects completed by these organizations have utilized Low Income Housing Tax Credits, Section 8 subsidies, state

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<sup>1</sup> Manhattan developments listed in the RFP are 335 East 111th Street, Park Avenue-East 122nd, 123rd Streets, Manhattanville Rehab (Group 2), Manhattanville Rehab (Group 3), Public School 139 (Conversion), Samuel (MHOP) I, Samuel (MHOP) II, Samuel (MHOP) III, Fort Washington Avenue Rehab, Grampion, Washington Heights Rehab (Groups 1&2), Washington Heights Rehab Phase III, Washington Heights Rehab Phase IV (C), Washington Heights Rehab Phase IV (D), 344 East 28th Street, and Wise Towers.

financing including supportive housing programs, local financing including HPD programs, and private financing. One CDC in particular has completed a tenant-in-place rehab project in Central Harlem using RAD Section 8 subsidies, preserving 100% of units as affordable housing for current tenants.

- All provide housing to vulnerable populations, including low- and very low-income households, seniors, immigrants, individuals seeking permanent housing, and individuals requiring supportive services.

Unfortunately, all six organizations, when asked whether they would qualify to bid for NYCHA's Manhattan PACT RFP, responded "No" because they do not meet one or both threshold requirements of a \$75 million past project size and a management portfolio of at least 1,700 affordable housing units. In fact, several of these groups stated that they do not believe *any* local, neighborhood-based community development corporation—the kind of nonprofit developers that I want to manage PACT projects—would qualify. Two organizations surmised that only very big nonprofit developers such as Phipps Houses would qualify. Yet groups like Phipps tend to operate citywide and do not have the same depth of knowledge about a neighborhood as a local CDC that has been woven into the fabric of the community for decades.

I understand that NYCHA established its RFP thresholds to ensure the winning bidder will have the capacity to manage a 16-property bundle comprised of over 1,700 units requiring tenant-in-place rehabilitation. I also understand that the intent of NYCHA's bundling 16 properties into a single RFP is "to create a financeable deal," particularly in including Section 18 and Part 200 developments that would bring in higher subsidies than RAD projects.<sup>2</sup> Yet this is an instance of NYCHA asking only: "Who can do the job?" without considering, more importantly: "Who can do the job *well*?" Priority should have been given to the second question so that more suitable RFP language and requirements can be developed around the goal of contracting with groups that offer the highest quality of work.

I and my staff have served thousands of constituents during my tenure as Manhattan Borough President, and almost without exception, Wavecrest Management is associated with unresponsive management and shoddy work. Yet Wavecrest Management has entered into two RAD contracts and now manages over 2,000 NYCHA units. Housing advocates and apprehensive tenants have asked me why NYCHA chooses to contract with a company whose existing portfolio of buildings is laden with serious violations and has a reputation for ignoring resident complaints. Why were previous RAD RFPs structured in such a way that the applicant deemed most qualified among eligible bidders is a management company notorious for its poor work results?

I urge NYCHA to revise its Manhattan PACT RFP to divide the 16 properties in its current Manhattan PACT RFP into smaller bundles that are more neighborhood-specific; for example, East Harlem, Central Harlem, West Harlem, Washington Heights, Upper West Side, and Kips Bay. This is beneficial to the PACT program overall in two ways.

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<sup>2</sup> NYCHA PACT RFP for Manhattan Developments, <https://www1.nyc.gov/assets/nycha/downloads/pdf/2019-pact-sites-mn.pdf>, pp. 7-8.

First and most importantly, NYCHA would be fulfilling its commitment to residents under the RAD Roundtable Guidelines to fully engage with and listen to residents throughout the process. Every resident and TA leader I have spoken with about PACT has indicated to me, often by name, that they want local nonprofit developers to manage their buildings. For this to become a possible outcome, local CDCs must first be qualified to apply. With smaller projects, NYCHA can lower the eligibility threshold for past-project scale and management portfolio size, thus allowing CDCs with a deep understanding of their neighborhoods to become competitive bidders.

Second, while NYCHA may view smaller-scale projects as less financeable and thus a reason to group all PACT properties within a borough into one contract, it is actually an opportunity to attract higher quality bidders with demonstrated experience in successfully completing complex localized rehabilitation projects. As I mentioned earlier, one of the CDCs I reached out to had completed a tenant-in-place rehabilitation project in a 150-unit Central Harlem building using RAD financing within the past seven years—proof that RAD projects do not have to be massive in scale to work. This group would qualify for the RFP had they been allowed to bid for smaller, localized clusters and would bring with it knowledge of the very neighborhood it has operated in for decades.

I also urge NYCHA to include in its selection criteria a preference for PACT development teams to include one or more nonprofit organizations as an equity partner. This is especially important for developments identified for Section 8 dispositions, which do not have the same permanent affordability guarantee as their RAD counterparts. Having one or more mission-driven entities as part of the decision-making team for a project's future would add an extra layer of protection toward the project's long-term affordability.

With plans to convert 62,000 units into Section 8 housing, NYCHA must ensure the current and future PACT RFPs are as inclusive as possible for nonprofit developers and CDCs.

I look forward to working with you to strengthen the PACT bidding process. If you have any questions, please contact Hally Chu, Deputy Director of Policy, at [hchu@manhattanbp.nyc.gov](mailto:hchu@manhattanbp.nyc.gov) or 212-669-3060.

Sincerely,



Gale A. Brewer