

**Minutes of Regular Meeting of  
The Housing Authority of the City of Galveston, Texas  
Island Community Center – Community Room  
4700 Broadway, Galveston, TX 77551  
April 26, 2010 at 5:00 P.M.**

The Board of Commissioners of the Housing Authority of the City of Galveston, Texas, (GHA) met as stated above. Chairperson Mabasa called the meeting to order at 5:00 p.m. and declared a quorum was present. He further clarified that the meeting was duly posted. The following commissioners were noted present: Arthur Mabasa, Chairperson; Sharon Strain, Vice-Chair; Suzanne Choate; Raymond Lewis and Juan Gonzalez.

Commissioners Absent:       None

Others Present:               Pete Urbani, Jr., Legal Counsel;  
                                      Harish Krishnarao, Executive Director/Secretary

**Approval of minutes for previous meeting of March 22, 2010** – Vice-Chair Strain moved for approval, and Commissioner Gonzalez seconded the motion. The following vote was recorded:

Ayes: Mabasa; Choate; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: None

The motion carried 5-0.

**Presentation of audit report for FY09 by Yeager & Boyd, CPA** – Mr. Krishnarao explained that GHA goes through an annual independent audit. Mr. Bobby Boyd reported that his company, Yeager & Boyd, sees a range of “very bad” to “very good” in their auditing investigations. He stated that GHA’s audit was in the “very good” range and that that statement is not made lightly. He stated that after close verification, GHA’s financial records and statements had been determined materially accurate with no findings. Compliance requirements were also found accurate.

Vice-Chair Strain asked if there were any reportable conditions to which Mr. Boyd responded that there were none. Mr. Krishnarao acknowledged Mr. Bruney, Arvle Dunn, Ashland Ray, and Dave Chandra for a job well done. Vice-Chair Strain inquired as to why these reports were not distributed with the board packets. Mr. Bruney responded that GHA did not receive them until late Friday. Vice-Chair Strain recommended that in the future, they be distributed together. She also congratulated Mr. Bruney that GHA has had no findings on the audits for the past nine years.

**Financial statements as of February 28, 2010** – Bernard Bruney, Finance Director, reported the following:

- a. Central Office Cost Center (COCC) - The total revenue year-to-date is \$2,120,688 and total operating expense is \$1,565,669. This leaves a residual from operations of \$555,019. Statement of Net Assets is: Total Assets of \$2,941,702 and Total Liabilities and Net Assets of \$2,941,702.

- b. AMP #1 – Oleander Homes/Palm Terrace – The total revenue year-to-date is \$1,174,830 and total operating expense is \$182,553. This leaves a residual of \$992,277. Statement of Net Assets is: Total Assets of \$9,818,978 and Total Liabilities and Net Assets of \$9,818,978.
- c. AMP #2 – Gulf Breeze/Holland House - The total revenue year-to-date is \$1,448,629 and total operating expense is \$1,239,444. This leaves a residual of \$209,184 minus the Asset Management Fee of \$33,930 with Cash Flow from Operations \$175,254. Statement of Net Assets is: Total Assets of \$9,072,384 and Total Liabilities and Net Assets of \$9,072,384.
- d. AMP #3 – Magnolia Homes/Cedar Terrace/Scattered Sites - The total revenue year-to-date is \$976,252 and total operating expense is \$426,346. This leaves a residual of \$549,906 minus the Asset Management Fee of \$3,150 with Cash Flow from Operations \$546,756. Statement of Net Assets is: Total Assets of \$13,185,523 and Total Liabilities and Net Assets of \$13,185,523.
- e. Section 8 – The total operating revenue year-to-date is \$8,976,305 and the total operating expense year-to-date is \$9,173,517, leaving a deficit of \$197,212. Statement of Net Assets is: Total Assets of \$3,706,017 and Total Liabilities and Net Assets of \$3,706,017.

Vice-Chair Strain inquired as to whether it had been determined where the funds would come from to make up this deficit. Mr. Bruney replied that GHA has requested funds from HUD. It was noted that HUD had given GHA a \$1.2 million baseline increase.

- f. ICC - The total operating revenue year-to-date is \$670,618 and the total operating expense year-to-date is \$470,493. This leaves a residual of \$200,125. Statement of Net Assets is: Total Assets of \$2,258,682 and Total Liabilities and Net Assets of \$2,258,682.
- g. DHAP – Katrina/Rita - The total revenue year-to-date is \$11,636 and total operating expense is \$27,935, leaving a deficit of \$16,299. Statement of Net Assets is: Total Assets of \$246,783 and Total Liabilities and Net Assets of \$246,783.
- h. DHAP – Ike - The total revenue year-to-date is \$21,580,087 and total operating expense is \$20,590,231. This leaves a residual of \$989,856. Statement of Net Assets is: Total Assets of \$13,052,954 and Total Liabilities and Net Assets of \$13,052,954.

### **Resolutions - Approval of**

- a. #2425 – Execution Interagency Agreement Between the Galveston Housing Authority and GMC Consultants to Provide Temporary Case Management Services for Three Months for the Disaster Housing Assistance Program (DHAP) – Ike – Chairperson Mabasa announced that this item was tabled for the next Board meeting.
- b. #2426 – A Contract Modification with Local Initiatives Support Corporation (LISC) for Revitalization Technical Assistance in the Amount of \$50,000 to be Paid from Central Office Cost Center (COCC) – Commissioner Lewis moved for approval, and Commissioner Choate seconded the motion. Deyna Sims, Development Coordinator, reported that LISC had been providing consulting services to GHA in the form of technical assistance staff post-Ike. On October 26, the Board approved a modification and extension of that contract. GHA would like another extension for \$50,000 to last until December 31, 2010.

Vice-Chair Strain stated that there is another grant coming out next year called Choice Communities. Mr. Krishnarao explained that LISC would be very instrumental with several HUD grants, including the Neighborhood Stabilization and the Choice Neighborhoods Grants, which will replace HOPE VI beginning next year. In the past, LISC has worked with GHA in the general development plan, and GHA would like to continue to retain LISC for future program consulting services. Commissioner Lewis questioned when the previous contract had ended. Mr. Krishnarao responded that it had ended on December 31, 2009. It was determined that the actual contract had already expired, making this a new contract. Chairperson Mabasa stated that modifications needed to be made and announced that this item would be tabled by a negative vote.

The following vote was recorded:

Ayes: None

Nays: Mabasa; Choate; Lewis; Gonzalez; and Strain                      Abstentions: None

Absences: None

The motion was turned 0-5.

- c. #2427- Awarding a Contract to Coats Rose for Specialized Legal Services Not to Exceed \$75,000 to be Paid From the Capital Fund Program - Vice-Chair Strain moved for approval, and Commissioner Lewis seconded the motion. Ms. Sims reported that GHA is currently pursuing a HOPE VI Grant and has four sites to be developed as well as various scattered sites. GHA needs specialized legal knowledge and believes that this firm is capable of understanding these types of financial transactions, low-income tax credits, finance law and affordable housing law. This firm has worked with eight (8) Texas housing authorities and is located in Houston, Texas.

Vice-Chair Strain asked if an RFQ had been sent for this to which Ms. Sims responded affirmatively. Vice-Chair Strain recommended that the resolution be corrected to include this fact and that this firm had responded to the RFQ. Chairperson Mabasa called for approval of the resolution as amended.

The following vote was recorded:

Ayes: Mabasa; Choate; Lewis; Gonzalez; and Strain

Nays: None                                      Abstentions: None                                      Absences: None

The motion carried 5-0.

- d. #2428 – Awarding a Contract to Southern Cross for the Construction of 20 Duplex Units for The Oaks, Phase IV Development in the Amount of \$2,775,000 to be Paid From the Capital Fund Program – Commissioner Choate moved for approval, and Vice-Chair Strain seconded the motion. Mr. Krishnarao explained that previously EMJ Corporation had been the lowest qualified bidder, however, the issue has become much more complicated due to the economy. Since the bids were submitted, material costs have increased. Also, as part of GHA’s presentation to the planning commission, it was promised by GHA that there would be an

attempt to raise the property as much as possible. After GHA revised the architectural drawings, the lowest bidder withdrew their bid.

Mr. Manuel, Modernization Coordinator, reported that the bidding had closed September 15, 2009, with the prices being valid for three months. When GHA contacted EMJ last month, they were no longer interested in the project. GHA, therefore, contacted the second lowest bidder, Southern Cross, who was still interested. Meanwhile, EMJ Corporation contacted GHA, explaining that they, in fact, were still interested in doing the project. Mr. Manuel determined that GHA should go through a rebidding process in order for the companies to compete at the current prices, while also factoring in the change in elevation. The advertisements were published in the Galveston County Daily News. He reasoned that this would eliminate further delay in negotiations, and since GHA has already received all necessary permits, it would be the timeliest method of handling the situation. This would assure the most competitive price for GHA. On the current schedule, GHA will have a secure contract by May 15, 2010.

Mr. Krishnarao explained that, in the meantime, GHA's maintenance staff is working on the project, doing some general groundwork. Vice-Chair Strain commented that the entire process took GHA six months to get ready to build. It was determined that the best route would be the rebidding process and that this resolution should be tabled by a negative vote.

The following vote was recorded:

Ayes: None

Nays: Mabasa; Choate; Lewis; Gonzalez; and Strain

Abstentions: None                      Absences: None

The motion was turned 0-5.

- e. #2429 – Awarding a Contract to Tara Gass for Consulting Services Not to Exceed \$15,000 to be Paid From DHAP Funds – Commissioner Gonzalez moved for approval, and Commissioner Lewis seconded the motion. Mr. Krishnarao explained that Ms. Gass was a former GHA employee and relocated to New Orleans. He stated that Ms. Gass had been instrumental in preparing charts, graphs and drawings for GHA's development process. Ms. Sims reported that there is no expiration date to the contract proposed as Ms. Gass's services would be used on an "as needed" basis. Therefore, the contract would expire when the \$15,000 has been exhausted. Vice-Chair Strain commented that the contracting authority of the Executive Director is \$25,000. Mr. Krishnarao stated that he wanted to avoid any doubt about hiring a previous GHA employee by bringing the matter to the Board.

The following vote was recorded:

Ayes: Mabasa; Choate; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: None

The motion carried 5-0.

- f. #2430 – Magnolia Homes as HOPE VI Site – Commissioner Lewis moved for approval, and Vice-Chair Strain seconded the motion. Ms. Sims reported that EJP Consultants have been at GHA several times and met with key stakeholders in the community. They also formed an Advisory Committee and completed a feasibility study. They have determined that the Magnolia Homes site is the best choice for a HOPE VI site. Chairperson Mabasa pointed out that EJP Consultants have applied for 33 HOPE VI Grants and been awarded 31 of those grants.

Commissioner Lewis questioned on what basis were Oleander Homes or Cedar Terrace ruled out. Vice-Chair Strain responded that much discussion and thought had gone into this process. The consulting team reviewed all of the data, interviewed people from the community, and determined that the greatest number of partnerships could be achieved with the Magnolia Homes site. They also recommended that for the other properties, especially at Cedar Terrace because they are located in such a devastated area, that applying for a Choice Neighborhoods Grant is a better choice because the needs are so extensive.

Commissioner Lewis commented that after reading Ms. Sims' statements, it seems that the need is much greater at Cedar Terrace. Vice-Chair Strain explained that GHA had tried once to get a HOPE VI Grant for Palm Terrace and found that need is only one factor. She explained that partnerships, foundations, and other help are part of the rating factors needed in order to win a HOPE VI Grant. It was determined that the partnerships required were not available at Cedar Terrace. She stated that some of partnerships lined up for Magnolia Homes are UTMB, GEDP, elderly housing partnerships with UTMB and others. She also explained that early childhood development is a very important area to meet HOPE VI guidelines and that there are already some programs in place in the Magnolia Homes area.

Commissioner Lewis questioned whether \$22 million was the maximum amount GHA could receive on this HOPE VI Grant. Vice-Chair Strain commented that GHA is currently working on budgets, choosing a developer, and compiling other information that will be necessary for the HOPE VI Grant. GHA is limited to actual public housing with its own money, but the developer comes to the table with debt financing, bond money, tax credits, a reputation to be able to syndicate the tax credits, and the ability to do other things in the community that people want. GHA cannot guarantee a \$22 million grant; that is the maximum possible.

Vice-Chair Strain further explained that if GHA obtains a mixed-income, mixed-finance property, the developer would bring additional funds to the table as well. She stated that there is merely a four-month window to get this process done and that GHA is further along in the area of Magnolia Homes. Commissioner Lewis expressed his uncertainty about the location of Magnolia Homes. Vice-Chair Strain stated that the HOPE VI Grant was not previously approved for the Palm Terrace property because there was no leverage on the part of GHA. The City agreed to fix the streets, but that was it. With the disaster relief money available at this time for leverage, GHA is trying to obtain additional money to build public housing.

Vice-Chair Strain stressed that GHA must keep pursuing all that is available, in case something else falls through. She stated that in September 2010, it will be two years since Hurricane Ike, and GHA does not have a stick built. The disaster money can be used in other ways that public housing money cannot. Commissioner Lewis stated his concerns about the development of Cedar Terrace and the other sites being prolonged because of the HOPE VI

focus on Magnolia Homes. Vice-Chair Strain assured the Board that the developments could progress concurrently.

The following vote was recorded:

Ayes: Mabasa; Choate; Gonzalez; and Strain

Nays: None

Abstentions: Lewis

Absences: None

The motion carried 4-1-0.

- g. #2431 – Sharon Strain, Vice-Chair of GHA’s Board, to Lead Organization Efforts for the HOPE VI Grant Application – Commissioner Choate moved for approval and Commissioner Lewis seconded the motion. Ms. Sims reported that at the EJP Workshop, GHA was asked to nominate a Board member to lead the organizational efforts and act as a liaison between GHA and the EJP consultants. Vice-Chair Strain had been nominated.

The following vote was recorded:

Ayes: Mabasa; Choate; Lewis; Gonzalez; and Strain

Nays: None

Abstentions: None

Absences: None

The motion carried 5-0.

### **Secretary’s Report –**

Mr. Krishnarao reported that the Assistant Secretary for Research and Development from HUD had recently visited GHA and held a presentation on disaster recovery and disaster management. Also, GHA’s recent trip to Washington, D.C., resulted in an increased baseline of approximately \$1.2 million, which will provide GHA with a larger capacity to move ahead. This is the second time in two years that GHA has received a baseline increase.

Charina Beasley, Housing Operations Director, reported that several changes have been happening in the housing operations area, specifically in regard to the inspections department. GHA is moving to bring inspections under one umbrella, thus making it more efficient to conduct Housing Quality Standards (HQS) inspections, exterior site and neighborhood inspections, and quality control inspections. In the area of asset management, GHA continues to move forward with Gulf Breeze renovations and have progressed to Phase II on the next set of relocations. GHA has been utilizing the remaining units at Holland House apartments and the completed floors at Gulf Breeze to relocate lower level residents. GHA is looking forward to the lobby area renovations and our residents are very anxious to have their computer lab back. We have moved forward with procuring the computers and are working with our maintenance department in order to get the exterior and landscaping completed. Rent collection is going well and we are ahead of schedule in terms of our annual recertifications for Section 8 and asset management, as well as our inspections. GHA looks forward to being a high performer in both of these programs.

Chairperson Mabasa asked about the status of the drive-by inspections. Ms. Beasley responded that there were recently two properties that had not been in compliance with exterior site and neighborhood inspections. GHA met with the property owner and the management company for each of those properties and established a 30-day probation period to allow them to alleviate the problems. One property was able to meet compliance and the other continued to have an 86% fail rate; thus, GHA moved forward with the termination of that contract.

Mr. Krishnarao stated that another recent issue has been the discovery of the leasing of phantom units. He said that immediately after Hurricane Ike, some persons had leased out units that they did not own. GHA is currently investigating these claims, along with the Attorney General and FBI.

Mr. Krishnarao suggested having the next Board meeting at Gulf Breeze and doing a walk-through following the meeting.

Mr. Krishnarao stated that there were some minor glitches in executing the contract with Galveston Police Department (GPD) regarding a change in the hourly rate, and that the issue was being handled. Chairperson Mabasa then acknowledged and thanked the police officers that were in attendance.

Commissioner Lewis asked about the status of recent open records requests. Mr. Krishnarao responded that they had all been either addressed or withdrawn.

Commissioner Lewis questioned the status of The Oaks III. Mr. Manuel stated that a contract was signed with J. C. Cantera Homes, Inc., to build the seven homes, and has already mobilized to the site.

**Public Comments** – Ms. Jan Moriarty, of Galveston, Texas, inquired about the status of her housing application for an apartment at Gulf Breeze. Ms. Beasley responded that it would probably be about the third quarter of 2010 before an apartment would become available.

Chairperson Mabasa acknowledged Mr. Sasser of the City Planning Commission for the City of Galveston, Texas. He stated that he is the liaison between the City of Galveston and GHA.

**Commissioners' comments** –

- a. Vice-Chair Strain thanked Mr. Bruney for his accomplishments and proper handling of GHA's finances.
- b. Commissioner Choate commended Ms. Beasley for doing a great job.
- c. Commissioner Gonzalez commented on the recent Galveston Triathlon, stating that it had been well received and was good for the City of Galveston. He added that he respected Commissioner Lewis' reservations about the HOPE VI Grant, but assured him that once he is aware of all of the information, he is sure that he will agree that Magnolia Homes is the best site for the grant.
- d. Chairperson Mabasa thanked Mr. Bruney for a job well done with GHA's finances for the past nine years. He also thanked Ms. Sims and Ms. Beasley for their efforts with GHA.

There being no further business, the meeting was adjourned at 6:25 p.m.

(d:minutes042610)