

**Minutes of Meeting of
The Housing Authority of the City of Galveston, Texas
Island Community Center – Community Room
4700 Broadway, Galveston, TX 77551
July 13, 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. Sharon Strain called the meeting to order at 5:00 p.m. and declared a quorum was present. The following commissioners were noted present: Sharon Strain; Paula Neff; Suzanne Choate; Tom LaRue, and James Dennis.

Commissioners Absent: None

Others Present: Mayor Joe Jaworski, Ex-Officio
Pete Urbani, Jr., Legal Counsel;
Robert Bastien, Legal Counsel; and
Harish Krishnarao, Executive Director/Secretary

Ms. Strain asked that a motion be made to change the order of the agenda. Commissioner Choate moved for approval, and Commissioner Dennis seconded the motion.

Harish Krishnarao swore in the new commissioners, Tom LaRue, Paula Neff, and James Dennis. Ms. Strain clarified that the meeting was duly posted.

Ms. Strain called for the election of officers. She asked for nominations for Chairperson. Commissioner Choate nominated Sharon Strain, and the nomination was seconded by Commissioner Neff. There being no other nominations, the following vote was recorded:

Ayes: Strain; Choate; Dennis; Neff; and LaRue
Nays: None Abstentions: None Absences: None
The motion carried 5-0.

Ms. Strain called for nominations for Vice-Chair. Commissioner LaRue nominated Paula Neff, and was seconded by Commissioner LaRue. There being no other nominations, the following vote was recorded:

Ayes: Strain; Choate; Dennis; Neff; and LaRue
Nays: None Abstentions: None Absences: None
The motion carried 5-0.

Chairperson Strain stated that the next item would be to recognize GHA's former Commissioners, Arthur Mabasa, Ray Lewis, and Juan Gonzalez. Krishnarao stated that on behalf of GHA staff and the commissioners, he wanted to thank former Chairperson Mabasa for serving so diligently. Mr. Krishnarao reflected on the times together that they had spent discussing the issues of Galveston. He explained that after a tragic personal loss, Mr. Mabasa had dedicated completely himself to GHA.

Mr. Mabasa thanked the new chairperson and the Board. He agreed with Mr. Krishnarao in that it was the most opportune time for him to be appointed to the Board when he lost his wife because it absorbed his time. He added that after Hurricane Ike, it was an encouragement that GHA staff really cared about residents. He recalled a speech by General Macarthur that says, "Old soldiers never die,

they just fade away.” He stated that he was going to fade away, but would support the housing authority in all its endeavors.

Mr. Krishnarao stated when he met Ray Lewis in May 2008, he had conveyed to him that GHA’s board was one of the easiest Boards to serve on in Galveston, typically meeting ten times a year; however, since Hurricane Ike hit, the Board has been meeting up to ten times per week! Mr. Krishnarao stated that Mr. Lewis had been like a sponge, retaining all of the information he was introduced to and that it had been a pleasure working with him. Mr. Lewis stated that he would miss serving on the Board and that it had been a great opportunity and experience. He added that he would be glad to do whatever he could to support the Board.

Mr. Krishnarao introduced Juan Gonzalez as the scholar and gentleman of the Board. He stated that he brought a tremendous amount of knowledge into procurement and added that Mr. Gonzalez works for the Department of Transportation, which has the strictest guidelines regarding procurement. He concluded by saying that Mr. Gonzalez helped the GHA staff tremendously with the procurement side and was a valuable asset to the GHA Board.

Mr. Gonzalez stated that he feels the same way and agreed that it had been a difficult two years. He commended the staff that they are very transparent and efficient. He realizes that there is a process that has been designed for success. He congratulated all of the new commissioners and Mayor Jaworski and stated that he looks forward to good things for the City of Galveston.

Chairperson Strain thanked Mr. Mabasa from the bottom of her heart for being a champion for 569 persons who had lost their homes. She expressed that although this was done in a tumultuous time, and at great personal cost and during a lot of criticism, he never wavered. She added that his heart has always been in the right place. She then addressed Mr. Lewis and commended him for his work on the regulations, specifically during the night as she could tell when she would get her coffee in the morning and see that he had been on his Blackberry all night. She stated that the silver lining in this cloud was that he would not get arthritis of the Blackberry finger now. She addressed Mr. Gonzalez as the peacemaker. She commented that his family had served the Board for years and thanked him for his service.

Chairperson Strain then called for public comments and added that there is a two-minute time limit. Chris Toombs from the audience addressed the Board regarding he had applied for a position on the Board. He explained he had put together some documents for the mayor, as well as to the new commissioners, outlining his position on the different subsidized programs and if they had any question, to please respond via e-mail and he would be happy to explain.

Mr. Toombs continued that there are two things that need to be done right away. The first thing is residential preferences for Section 8 and Public Housing. This is allowed under 24 CFR 960.206, which puts Galvestonians and people who work in Galveston prioritized over all others. He further stated that it is the people’s housing authority, their tax exempt properties, and it should be Galvestonians first – not Friendswood or Texas City. They have their own resources, and they should take care of their own residents. He reported that one cannot make progress on poverty here if every time someone graduates out of the system, it is backfilled with someone from outside the city. The next point is an application should be made to the Moving to Work Program or it should be mandatory as part of any deal with the Secretary of HUD. We should break down the silos and allow the money to go where it may be used best. Another part of that are the requirements for work and the requirements for job skills training.

Mr. Toombs asked if Resolution No. 2454 was in relation to the Cedar Terrace Redevelopment Plan. Mr. Krishnarao answered that Resolution 2454 was going to be tabled. Mr. Toombs pointed out that it does not say that and that the address given in the agenda is different than the address shown in the redevelopment plan. He stated that he looked it up and then drove out there to make sure it was the same site and that this may be confusing to others. Mr. Toombs left his written statement and explained that it was an objection based upon no survey being done and that it is unclear if it can be built upon. His second point was that the 110 units exceed all of the three deconcentration formulas given in 24CFR941.202. He stated that before spending \$800,000 - \$900,000 and committing to that, approval should be obtained from HUD that the building is possible and that the number of units being requested is acceptable. He said there is no reason to put that money in jeopardy until we get clearance from HUD that we can do those two things. Mr. Toombs pointed out that this U.S. Census block area in 2000 is listed as 92% black or African American. Group 1 Census Tract 7246 U.S. Census data map is attached to this document. He asserted that we cannot organize or prioritize our list by race.

Approval of minutes for previous meeting of 06/10/10 – Commissioner Dennis moved for approval, and Commissioner Choate seconded the motion. The following vote was recorded:

Ayes: Strain; Choate; Dennis; Neff; and LaRue

Nays: None

Abstentions: None

Absences: None

The motion carried 5-0.

Financial statements as of June 30, 2010 – Mr. Bruney, Finance Director, reported the following:

- a. Central Office Cost Center (COCC) - The total revenue year-to-date is \$ 2,180,227 and total operating expense is \$1,943,547. This leaves a residual from operations of \$236,680. Statement of Net Assets is: Total Assets of \$2,340,791 and Total Liabilities and Net Assets of \$2,340,791.

Chairperson Strain asked if the cash and cash equivalents were in a sweep account. Mr. Bruney replied that they were not in a sweep account, but in a guaranty account, with the contract that we have, 2.56% interest, even though the market rate is .45%. Chairperson Strain stated that we do have an inner program due and that she could not figure out which set of books that was from. She noticed that the others that had been zeroed out. She asked Mr. Bruney if he would check that out; if that was due from another program, then it would be too much money just to carry in a cash account.

Commissioner LaRue questioned the 2.56% interest rate and Mr. Bruney explained that it was contracted before interest rates went down. Mr. Bruney further explained that GHA is also backcharged because of that. In regard to the bank fees totaling \$26,000 year-to-date, GHA is actually being paid the interest, but then they are earning; therefore, they backcharge it to GHA.

- b. AMP #1 – Oleander Homes/Palm Terrace – The total revenue year-to-date is \$1,318,465 and total operating expense is \$241,403. This leaves a residual of \$1,077,061. Statement of Net Assets is: Total Assets of \$9,886,265 and Total Liabilities and Net Assets of \$9,886,265.
- c. AMP #2 – Gulf Breeze/Holland House - The total revenue year-to-date is \$1,637,935 and total operating expense is \$1,536,965. This leaves a residual of \$100,917 minus the Asset Management Fee of \$43,870 with Cash Flow from Operations \$57,100. Statement of Net Assets is: Total Assets of \$10,054,447 and Total Liabilities and Net Assets of \$10,054,447.

Commissioner Choate asked where the fees were regarding paying the Galveston Fire Department. Mr. Bruney replied that they were posted to the “other utilities” category and that the result of that is a small portion, under 10%, reflects the total that GHA ends up paying.

- d. AMP #3 – Magnolia Homes/Cedar Terrace/Scattered Sites - The total revenue year-to-date is \$400,578 and total operating expense is \$508,536. This leaves a residual of \$572,456 minus the Asset Management Fee of \$3,850 with Cash Flow from Operations \$568,606. Statement of Net Assets is: Total Assets of \$13,192,451 and Total Liabilities and Net Assets of \$13,192,451.
- e. Section 8 – The total operating revenue year-to-date is \$10,947,244 and the total operating expense year-to-date is \$11,211,704, leaving a deficit of \$264,461. Statement of Net Assets is: Total Assets of \$4,667,855 and Total Liabilities and Net Assets of \$4,667,855.
- f. ICC - The total operating revenue year-to-date is \$839,343 and the total operating expense year-to-date is \$612,502. This leaves a residual of \$226,841. Statement of Net Assets is: Total Assets of \$2,268,712 and Total Liabilities and Net Assets of \$2,268,712.
- g. DHAP – Katrina/Rita - The total revenue year-to-date is \$89,794 and total operating expense is \$27,935, leaving a deficit of \$61,859. Statement of Net Assets is: Total Assets of \$33,598 and Total Liabilities and Net Assets of \$33,598.
- h. DHAP – Ike - The total revenue year-to-date is \$24,258,788 and total operating expense is \$23,403,518. This leaves a residual of \$855,269. Statement of Net Assets is: Total Assets of \$12,124,954 and Total Liabilities and Net Assets of \$12,124,954.

Mr. Bruney explained that the contract with HUD regarding DHAP states that they would pay GHA most of the administrative fees up front. HUD, in essence, gave GHA \$1,000 for each participant in the program. Currently, with the DHAP-Ike extended, GHA is operating on the fees for 14% of HAP for administrative fees and \$100 per family for case management, which is not really enough to operate the program. He explained that this is why the current month appears negative. As DHAP has been extended to October 2010, GHA intends to ask HUD to rectify this situation.

Chairperson Strain interjected that Mr. Krishnarao has already asked HUD for additional funding. Mr. Krishnarao added that in the “frontloading” of the program, GHA was covered. He stated that looking at the months alone, there is not enough funding to cover the costs.

Commissioner Choate discussed the fire alarm situation at Holland House and that the Galveston Fire Department charges \$250 each time they respond to a call, to which Mr. Bruney affirmed that statement. Commissioner Choate reported that on the previous Monday, five separate alarms had been activated.

Chairperson Strain explained that the fire alarm system at Holland House was installed while she was Executive Director at GHA based on guidelines provided by the Galveston Fire Department. The alarms were hardwired near the kitchen, which would go off every time a resident would turn on their stove. This would consistently scare the residents; thus, the alarm system was changed at an approximate cost of \$60,000. She further explained that the system is still extremely sensitive, but must meet the established code. Even if GHA staff can verify that there is no fire, the Galveston Fire Department must still respond and GHA is charged.

Commissioner Choate reported that she is aware that some residents leave their ovens unattended when cooking and carelessly set off the alarm. She felt these residents should be

fined. She further stated that due to the the amount of false alarms, the residents no longer take them seriously.

Chairperson Strain asked Mr. Bruney if GHA is provided with a detailed listing of repeated offenders. Ms. Beasley reported that the residents who have had two or more of these fire alarm calls are receiving lease violations; there have not been any triple offenders. She explained that GHA is considering these calls a serious matter and is giving out lease violations and working in conjunction with the Finance and Maintenance Departments to develop a suitable charge to those residents that have a history or pattern of setting off the alarms. Mr. Krishnarao added that GHA is also working with social services to work with the families and assist them to address the issues.

Commissioner Choate suggested that all residents should receive a letter explaining the seriousness of this offense. Chairperson Strain asked if there were any system failures. Ms. Beasley stated that in some instances when a fire alarm call has been investigated, it was simply that it was warm in the apartment. In a percentage of those instances, it is not the resident who is causing the problem, it is the sensitivity of the system that is in place. Commissioner Dennis asked the age of the system, to which Chairperson Strain replied that it was between seven or eight years old; however, it recently has been upgraded. Mr. Krishnarao added that GHA was working with GFD trying to rectify these issues. Chairperson Strain recommended that if no conclusion is reached, that other action needs to be taken.

Commissioner Dennis questioned how long GHA had been collecting and investigating the data. Ms. Beasley replied that staff has been matching the report to the actual unit and investigating the actual cause for the past four months. Commissioner Dennis asked what the percentages were. Ms. Beasley replied that 30-40% of the calls are non-resident caused.

Commissioner LaRue stated that the comment previously made regarding that some of the residents no longer took the repeated alarms seriously, was of concern to him. Mr. Krishnarao stated this is one of the main reasons that discussions with the fire marshal have occurred as GHA wants to make absolutely sure that the safety of the residents is maintained.

Commissioner Dennis asked if it was standard procedure for the GFD to show up every time the alarm goes off. Chairperson Strain answered affirmatively. She requested that a report be brought back to the Board on this issue at the next board meeting after a 30-day time period..

Commissioner LaRue stated that Chairperson Strain had commented on the sharp fall in DHAP-Ike and asked for clarity on the net assets portion of this report. He asked if there was enough funding remaining to cover about ten months of these deficits until HUD approves additional funding. Mr. Krishnarao stated that he agreed with this statement and added that technically, DHAP was to have ended March 30, 2010. However, HUD extended it through the end of October 2010. Mr. Krishnarao added that GHA's contention is that the deficit results from taking the budget in isolation for just these four months; we do not want to be in the negative, which is why additional funding has been requested from HUD.

Chairperson Strain stated that she would like to explain a little to the new commissioners about Mr. Bruney. She reported that it had taken him his first 18 months at GHA to get the

books straightened out. She added that after the second audit that GHA had, there has been about an 8-year span of time without a reportable condition or finding on audits. Chairperson Strain commended Mr. Bruney and commented that the auditors were astounded at the condition of GHA's books, even with the challenge of the extra income over the past year.

Resolutions - Approval of

- a. #2453 – Collection Loss Write-Offs as of Close of Business April 30, 2010 - Commissioner LaRue moved for approval, and Commissioner Choate seconded the motion. Ms. Beasley reported that GHA was requesting a write-off of \$47.38 for Holland House Apartments. This amount is for rent and other charges. Chairperson Strain commended GHA as this was the first write-off she had seen in a long time.

The following vote was recorded:

Ayes: Strain; Neff; Choate; Dennis; and LaRue

Nays: None

Abstentions: None

Absences: None

The motion carried 5-0.

- b. #2454 – Authorizing the Executive Director to Execute a Contract With Superb Team of Architects (STOA) for Architectural and Engineering Services for Development at 2914 Ball, In the Amount of \$818,980 From the Capital Fund Program – Chairperson Strain announced that this resolution was tabled indefinitely. Commissioner LaRue moved to approve the postponement, and Commissioner Choate seconded the motion.

Mr. Krishnarao reported that since this proposal, GHA had come across the Choice Neighborhood Initiative (CNI). He added that GHA's consultant would present the HOPE VI Grant during the Secretary's Report.

The following vote was recorded:

Ayes: Strain; Neff; Choate; Dennis; and LaRue

Nays: None

Abstentions: None

Absences: None

The motion carried 5-0.

Secretary's Report –

Mr. Krishnarao announced that the HOPE VI Consultants were present and would like to brief the commissioners on the process and status of the HOPE VI grant application. Mr. Krishnarao introduced Scott Jepsen and Gayle Epps of EJP Consultants.

Mr. Jepsen explained that his company had been hired by GHA to write a HOPE VI Application for the Magnolia Homes site and presented a comprehensive overview of HOPE VI.

Mayor Jaworski asked what a community facility for residents would be. Mr. Jepsen explained that HOPE VI could pay a proportionate share of a leasing office and any facility that might hold a computer room, library or a common area for parties. He stated that the facility could be based on education, space for social service providers, and other uses. Typically, HOPE VI cannot pay for 100% of the cost if it is serving other households. If 50% of the units are public housing, HOPE VI could pay 50% of the cost of the community center.

Chairperson Strain pointed out that when median family income of \$65,100 is discussed, everyone needs to know that this is not just the City of Galveston. We are in the Houston SMSA, and that includes a lot of people that are employed by NASA and other large employers. When talking about

the median family income of Galveston's population, it is more like \$32,000. She explained that in a way, this has worked to our advantage because 80% of this includes a lot more of our population that we can reach out to. This survey is published annually by HUD. Mr. Krishnarao stated that there were inherent advantages in being compared to a large metropolitan area and that GHA has more opportunities because of this.

Mr. Jepsen also introduced Choice Neighborhoods Initiative (CNI) as a new program being pushed by HUD and would eventually replace the HOPE VI Program. He stated that it would be a much bigger redevelopment effort that will bring even more partners to the table. It is about rebuilding even more than HOPE VI and bringing commerce, education, transportation and housing. Mr. Jepsen added that he had been making recommendations to GHA, possibly utilizing this program for Cedar Terrace. Mr. Krishnarao explained that there would be an upcoming development meeting to discuss CNI.

Mayor Jaworski stated that it was clear at HUD headquarters in Washington, D.C., that Mr. Krishnarao is a "rock star." He stated that Mr. Krishnarao went out of his way to let people know that Galveston's Mayor was in town and that everyone had taken time out of their schedule to come over and speak. It was very helpful as he could see the light in many of these public servants' eyes.

They had a chance to meet Assistant Secretary Marquez and Secretary Donovan as well, which was exciting. Mayor Jaworski stated that he was able to tell him that Galveston is at the right time, and is the right size and that its heart is open right now to HUD's progressive policies. It is not just building places where poverty is hidden, but instead it is a place that can actually restore people to the life that the promise of America can afford us all. He said he had wanted to express that Galveston could be the model community for the 21st century of HUD policies. He shared that they had a very down to earth conversation with Assistant Secretary Marquez, who will be visiting Galveston in August to offer technical assistance, which will save GHA a lot of money. Ms. Marquez is going to bring a matrix of benefits that GHA might be able to access. She looks at Galveston as her "little brother," which is also reflected in the specific set aside for CDBG funding has for GHA of \$50 million and \$20 million for Section 8 rehabilitation. All in all, Galveston is on their map.

Commissioner Neff stated that she had not really known what to expect in Washington, but that it had felt like GHA has an ally with HUD and that they are wanting and waiting for us to succeed and will do anything for that to happen. She added that Mr. Krishnarao has completely paved the way for us to do what we are about to do.

Commissioners' comments –

- a. Paula Neff stated that she is very happy to be on the Board and is ready to get to work.
- b. Suzanne Choate welcomed the new commissioners and stated that she was going to "keep on top" of the Holland House situation.
- c. James Dennis stated that being on the Board has been a dream of his for a long time and that he is ready to get to work.
- d. Tom LaRue stated that he is very excited to be part of this organization and is very impressed by the work that the previous Board members have done. He really feels like after the two years of work following the hurricane that they deserve a break. Going through what they went through probably multiplied what each of us individually experienced. He is anxious to get to work.

- e. Mayor Jaworski has the deepest respect for the previous commissioners and he thanked them for the excellent work they had done. He recently attended two public hearings for the Houston Galveston Area Council in regard to the CDBG round two allocations; they were held in the Greenspoint and Hobby areas. While there, he asked if it would be appropriate to schedule the third hearing here on the island. Thus, that meeting is scheduled for Wednesday, July 28, 2010, at the Galveston County Courthouse. The allocation is only 25%; however, Galveston will get the majority of that money.
- f. Chairperson Strain asked if Mr. Krishnarao would have someone on staff to address the questions that Chris Toombs brought up in writing for the next Board meeting or via e-mail. She also mentioned the contact cards for the commissioners to which Mr. Krishnarao stated that Hilda Garcia would provide them by the next board meeting. She told the new commissioners to clear off their bookshelves and roll up their sleeves as they have to hit the ground running as there are a lot of things that are on-going. Mr. Krishnarao will help them get on board. and she is also available for any questions. Mr. Krishnarao added that GHA was looking into a commissioners training and the dates have been set for August 5-6, 2010; he will also try to bring Mr. Jepsen back in for some training.

There being no further business, the meeting was adjourned at 6:43 p.m.

(d:minutes071310)