

**Minutes of Regular Meeting of
The Housing Authority of the City of Galveston, Texas
Island Community Center – Community Room
4700 Broadway, Galveston, TX 77551
September 27, 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. Vice-Chair Neff called the meeting to order at 5:00 p.m. and declared a quorum was present. She further clarified that the meeting was duly posted. The following commissioners were noted present: Vice-Chair, Paula Neff; James Dennis; Tom LaRue

Commissioners Absent: Sharon Strain; Suzanne Choate

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

Approval of minutes for previous special meeting of August 30, 2010 – Commissioner LaRue moved for approval, and Commissioner Dennis seconded the motion. The following vote was recorded:

Ayes: Neff; LaRue; and Dennis

Nays: None

Abstentions: None

Absences: Strain; Choate

The motion carried 3-0.

Approval of minutes for previous regular meeting of August 30, 2010 – Commissioner LaRue moved for approval, and Commissioner Dennis seconded the motion. The following vote was recorded:

Ayes: Neff; LaRue; and Dennis

Nays: None

Abstentions: None

Absences: Strain; Choate

The motion carried 3-0.

Financial statements as of August 31, 2010 – Mr. Bruney, Finance Director, reported the following:

- a. Central Office Cost Center (COCC) - The total revenue year-to-date is \$218,375 and total operating expense is \$367,857. This leaves a residual from operations of \$149,482. Statement of Net Assets is: Total Assets of \$1,704,338 and Total Liabilities and Net Assets of \$1,704,338.
- b. AMP #1 – Oleander Homes/Palm Terrace – The total revenue year-to-date is \$315,631 and total operating expense is \$58,754. This leaves a residual of \$256,878. Statement of Net Assets is: Total Assets of \$10,238,192 and Total Liabilities and Net Assets of \$10,238,192.
- c. AMP #2 – Gulf Breeze/Holland House - The total revenue year-to-date is \$298,235 and total operating expense is \$299,796. This leaves a residual of (\$1,561) minus the Asset Management Fee of \$7,940 with Cash Flow from Operations (\$9,501). Statement of Net Assets is: Total Assets of \$11,799,894 and Total Liabilities and Net Assets of \$11,799,894.

- d. AMP #3 – Magnolia Homes/Cedar Terrace/Scattered Sites - The total revenue year-to-date is \$186,920 and total operating expense is \$65,414. This leaves a residual of \$121,505 minus the Asset Management Fee of \$700 with Cash Flow from Operations \$120,805. Statement of Net Assets is: Total Assets of \$13,269,181 and Total Liabilities and Net Assets of \$13,269,181.
- e. Section 8 – The total operating revenue year-to-date is \$2,083,456 and the total operating expense year-to-date is \$2,142,697, leaving a deficit of \$59,240. Statement of Net Assets is: Total Assets of \$3,103,334 and Total Liabilities and Net Assets of \$3,103,334.
- f. ICC - The total operating revenue year-to-date is \$160,880 and the total operating expense year-to-date is \$137,616. This leaves a residual of \$23,264. Statement of Net Assets is: Total Assets of \$2,261,151 and Total Liabilities and Net Assets of \$2,261,151.
- g. DHAP – Ike - The total revenue year-to-date is \$2,290,809 and total operating expense is \$2,562,633. This leaves a residual of (\$271,824). Statement of Net Assets is: Total Assets of \$13,125,938 and Total Liabilities and Net Assets of \$13,125,938. Mr. Bruney then addressed the blue page at the end of the reports. He explained that this was our current Realistic Assessment Center REAC submission, which is part of HUD, and includes all of the financial information for the year. He stated that this was only the preliminary report.

Resolutions - Approval of

- a. #2463 – Collection Loss Write-Offs as of Close of Business August 31, 2010 - Commissioner LaRue moved for approval, and Commissioner Dennis seconded the motion. Gwen Rougely, AMP Supervisor, introduced the resolution.

The following vote was recorded:

Ayes: Neff; LaRue; and Dennis

Nays: None

Abstentions: None

Absences: Strain; Choate

The motion carried 3-0.

- b. #2464 – Amending the Section 8 Administrative Plan – Project-Based Voucher (PBV) Proposal Score Card – Commissioner Dennis moved for approval, and Commissioner LaRue seconded the motion.

Commissioner LaRue questioned commented on the third page regarding accessibility to areas of public transportation. He noted that there were three different categories of points awarded for properties that are 12, 8 and 4 blocks from public transportation. He stated that 12 blocks from public transportation was a long way and that he would almost consider it as not being accessible to public transportation. Mr. Krishnarao stated that this could be modified to read 2, 4 and 8 blocks.

Commissioner LaRue stated that there had been discussion between landlords regarding PBV's and the maximum Section 8 tenant occupancy of 25%. He stated that he would like to see a maximum capacity of 25% per property of Section 8 tenants being incorporated into this scorecard, with obvious exceptions for a duplex or tri-plex. Commission LaRue also proposed that if the property exceeds the percentages, they would forfeit all other points on the scorecard in order to accomplish poverty deconcentration.

Mr. Krishnarao concurred and explained that this particular document that is in front of the board is the scorecard for the 100 units that the Board is authorizing. He added that GHA would certainly consider these suggestions when the conventional recertification plan is done.

Commissioner LaRue stated that there would be some multi-family units included in this number and the Section 8 voucher population needs to be limited to not exceed 25% for individual properties.

Mr. Krishnarao supposed that a property had 100 units. GHA would only allow 25 units as PBV units. Commissioner LaRue questioned whether this 25% was already in place. Mr. Krishnarao stated that the resolution addressed that issue and that it was worded as such in the PBV Request for Proposal (RFP). He suggested holding off on the resolution until the wording could be agreed upon. He stated that there had been discussion concerning the remaining 75% of the units in the property, adding that some landlords do not want this stipulation. Currently, the PBV RFP does not address what happens to the balance of the 75 units.

Right now, the PBV RFP only addresses 25 of those 100 units. If the landlord has 100 units and they want to place 25% of those units in the PBV program, they would go through the selection process. GHA has held several landlord meetings. Some landlords want all of their units to be able to go into the program. Legally, on the tenant-based voucher, the choice is with the tenant. Here, the board has the authority to specify where the units are located.

The issue of the balance of the units will probably have to be revisited. We want to make sure that GHA does not violate any Fair Housing laws. Under the tenant-based Section 8 program, the tenant has the choice as to where they want to go. Currently, we are talking about one specific pool of 100 units only. Commissioner LaRue asked whether 50% or even 75% of these 100 units could already be leased under Section 8 vouchers. Mr. Krishnarao replied negatively. He further stated that initially only a small number of properties would be involved. The staff is currently discussing ten possible contractors at this point so it can be limited to about ten landlords to work out the kinks in the system.

Commissioner LaRue stated that he did not wish to belabor the issue, but that at first Mr. Krishnarao had stated that GHA did not have any control over the other 75 units, but seemed to contradict that by saying that the 25 units under PBV would be all of the Section 8 tenants in that particular property. He questioned how this could be assured.

Mr. Krishnarao stated that he would discuss two different scenarios. In the first scenario, the landlord has a 100-unit complex with no Section 8 tenants and would like to participate in the PBV program by allocating 25% of those units. The tenants are obtained and a contract is signed. The day after the contract is signed, there is nothing to restrict those remaining 75 units from becoming Section 8. This is where GHA wants to make sure the legalities are set in place. Mr. Bastien is working on conclusive comments in this area. At this time, the board can either approve the resolution with the requested modification or it can be tabled. Vice-Chair Neff suggested that the resolution be tabled and discussed at next week's board workshop. After a brief discussion, it was decided to table this resolution.

The following vote was recorded:

Ayes: Neff; LaRue; and Dennis

Nays: None

Abstentions: None

Absences: Strain; Choate

The motion carried 3-0.

- c. #2465 – Declaration of Trust for GHA Properties – Commissioner LaRue moved for approval, and Commissioner Dennis seconded the motion. Mr. Krishnarao reported that HUD had recently contacted all housing authorities to submit the declaration of trust. After a brief discussion, the resolution was tabled.

The following vote was recorded:

Ayes: Neff; LaRue; and Dennis

Nays: None

Abstentions: None

Absences: Strain; Choate

The motion carried 3-0.

Secretary's Report –

- a. Modernization – John Manuel, Modernization Coordinator, reported that GHA has completed modernization of 119 units at Gulf Breeze. In this phase, we are modernizing the remaining 80 units, which are more than 50% complete and have a 12/17/10 completion date. Mr. Manuel stated that Gulf Breeze construction was recently inspected by the HUD Assistant Regional Inspector General and the HUD engineer from Houston field office and they were both very pleased. They planned to use pictures of Gulf Breeze for a HUD presentation next week.

Mr. Manuel reported that there were currently two new construction sites. One of these sites is located at Oaks III and will be seven single family homes for low income residents built by GRACE Corporation. The framing is currently in progress and the scheduled completion is November 2010. The other site is Oaks IV and will be for senior citizens. This site is 40% completed with a May 2011 completion date.

Mr. Manuel explained that when Oaks IV was started, the city wanted to replace old water/sewer lines, which took about two months and caused a slight delay. There are also some lines going through the properties at Magnolia Homes, Oleander Homes and Cedar Terrace which the city is considering replacing prior to the rebuild in those areas. Mr. Manuel clarified the addresses of the projects mentioned.

Mr. Krishnarao stated that the city staff has been fantastic with that. They want to get ahead of construction in replacing these lines. Historically, the City of Galveston has always partnered with GHA. We have also maintained great partnerships with the Public Works Department and we are now glad to have the mayor sitting in as ex-officio.

Commissioner Dennis mentioned that the A/C in the public hallways at Holland House was not working properly and those public areas were very hot. Mr. Krishnarao replied that this problem was related to a rooftop unit and that John Williams, Director of Maintenance, was investigating this problem. It will be part of the upcoming capital fund implementation. Mr. Manuel added that it would be remedied during the next modernization scheduled to begin in the next few months.

- b. Habitat for Humanity (HFH) – Courtney Beck, Homeownership Coordinator, reported that HFH is a very well-respected organization known throughout the country. She explained that HFH had initially contacted GHA looking for families that may be interested in buying in the Dickinson area where they were currently building. Mr. Krishnarao suggested that they consider coming to Galveston to build. That began a number of meetings with their executive director and development director to try to come up with a model that may work – one that consisted of GHA financing a portion, the City financing another portion, and HFH fundraising for the remainder of the funds to try to build forty houses on the island in the next five years. She referred to the chronological handout, explaining that a number of meetings were held and in June 2010 a financing model was developed that seemed workable. A memorandum of understanding was drafted between HFH and GHA.

Ms. Beck continued that earlier this month, another meeting was held and there was a realization that there were some unanswered questions. The first question was if HFH was willing to house public housing residents only. The funding that would be obtained through the state suggests that we would have to house those families only – especially those affected by Hurricane Ike.

Mr. Krishnarao stated that in Community Development Block Grant (CDBG) funding, there are several identified sources of funding and it was a possibility that said funds would be restricted to that targeted population only. He stated that the timing of the Round 2 CDBG funding was also a concern and that at this point, release of these funds was not expected until February 2011, which means there is a timing issue. Lastly, each one of these entities would have multiple rules and we need to ensure that all of the rules are aligned, following each organization's standards and regulations. We are cautiously optimistic that we can do this. Ms. Beck added that we are now in a waiting period until CDBG funding is released.

Mayor Jaworski addressed Mr. Krishnarao, questioning whether it had always been anticipated that whatever HFH would do on the island was to be included in the 569, one for one replacement. Mr. Krishnarao said that it would be for the general population, but that it depended on the source of funding. Mr. Krishnarao further explained that there are several parts, including public housing residents and those not identified for public housing residents. Those details have not come out from the Houston-Galveston Area Council yet as they have still not published those guidelines.

Mr. Krishnarao explained that HFH has identified two staff members that are currently on the payroll for this specific project but may not be able to afford to keep them on the payroll until the funding is released. GHA cannot make the commitment as of yet, however, without said funding. The commitment would equate to around \$4 million and is a large amount of money for GHA to commit to at this point in time.

Commissioner LaRue stated that he had been approached by Peggy Baldwin and the impression that she gave was that HFH believed that the deal had just been cancelled. He questioned whether they knew, though it may take some time, that GHA was still attempting to work toward this partnership. Ms. Beck answered that her impression was that the project - as it was being planned - has been cancelled due to the fact that the two staff members that they had lined up depended upon being ready to build in September.

Commissioner LaRue stated that while he did not want to divert funds marked for other projects, he was curious if this was a possibility. Mr. Krishnarao stated affirmatively and that a presentation had been made to this board a few months ago. The summary is that approximately the first 25 units would be funded by GHA – at the cost of about \$2.5 million, approximately \$100k per unit to construct. The last 25 units would be funded from funds raised within the community. This funding would have to be initially provided by GHA.

Mr. Krishnarao continued that we did come to a point of agreement between GHA and HFH, that the source of funding would be Round 2 CDBG funds. Normally, you would only want to use reserves to fill the final gaps, but not to begin. We are talking about a total cost of \$4 million, which is quite significant. GHA has even offered to approach the board to see if we could provide support to those two staff members temporarily for 4-6 months while we explored obtaining additional funding. Commissioner Dennis stated that he would like for this partnership to happen and that we will do whatever it takes to continue to make this happen.

Mayor Jaworski stated that his understanding was that Round 2 CDBG funding is set aside for one for one replacement. Mr. Krishnarao stated that this was correct. Mayor Jaworski then asked Mr. Krishnarao what he was waiting on or what would be clearer by February 2011. Mr. Krishnarao explained that in addition to the \$50 million and \$20 million, there is a third and fourth part, descriptions of which are still not available. The third part is specifically for single family homes and a low-to-moderate income families – not part of the 569. He further stated that with this partnership, we would have additional leverage for HFH. The staff is currently working on this. We are talking about other entities over which GHA has absolutely no control. He said that HFH typically builds 2-3 homes per year and this is a much larger scale. Mr. Krishnarao assured the board that the plug was not being pulled, there is just a temporary hold on this project. He stated that this issue would be further discussed next week at the board workshop.

- c. Section 3 – Mr. Krishnarao introduced this as the most important part of Galveston’s recovery. Section 3 has typically been a toothless tiger, but what Ms. Beck is attempting to do is provide some teeth for the Section 3 program. It is a fascinating program and when complete, could be the most important program that Galveston is going to implement in the next five years.

Ms. Beck explained that Section 3 is part of the HUD Act of 1968 which says, “We are required to ensure that employment and other economic opportunities generated by certain HUD financial funding shall to the greatest extent be feasible and consistent with existing federal, state, and local laws and regulations be directed toward low and very low income persons, particularly those who are recipients of government funding for housing.” This multi-page document explains how that is to be done. There are many ways to do that such as directly hiring through the GHA, helping to create resident-owned businesses that would then go out and bid for contracts such as cleaning and construction.

Mr. Krishnarao requested that everyone look through this policy and stated that next week, Ms. Beck would make a presentation in a workshop setting. This item could then be placed on the agenda for the next board meeting.

Commissioner Dennis requested additional information on the YouthBuild program. Mr. Krishnarao explained that YouthBuild is a HUD program that is sponsored annually. If GHA had a YouthBuild program, it would identify young people and place them in a job training program and on a career track.

- d. Project Based Vouchers – Mr. Krishnarao reported that the board had previously approved an Administrative Plan change for the PBV program and agreed to issue an RFP for 100 units. Since then, the new board was appointed and several board members have suggested that we focus on poverty deconcentration within Galveston. We have, therefore, made a proposal to modify the scorecard so that it would meet the needs of those recommendations. The resolution was tabled and it will be discussed at a future board meeting. Once this is approved, we will float the 100 PBVs.
- e. Local Preference for Galveston Residents – Mr. Krishnarao explained that this was still in the draft stage. Commissioner LaRue commented that he thought it important to discuss this because many in the community follow GHA’s minutes and need to know that this is something that is currently being discussed.

Christina Crowder, Director of HCV and DHAP-Ike, explained that the Code of Federal Regulations is the body of legislation that currently governs public housing authority activity. In reference to the local preferences, under Section 982.207, subtitled Waiting List Local Preferences and Admission to Program, the discussion that we have been having that Mr. Krishnarao just referenced is in regard to what we actually have authority to do in regards to implementing some type of a local preference. For example, considering that a preference be given on our waiting list for the Housing Choice Voucher program for residents of Galveston Island. In researching this issue, we found that in Section B, it is stated that residency requirements are prohibited, however, we may implement a residency preference. That preference would be for new admissions and considered at the time that they actually become eligible to receive the voucher and seek affordable housing. We do have the ability to implement residency preferences in a specified geographic area. The CFR also states that the residency preference area may be a County or a municipality but nothing smaller. We are looking at how this would actually be implemented. We want to make sure we are always within the regulations set before us.

Mr. Krishnarao explained that we cannot have the residency requirement. GHA cannot tell someone that they must be living in Galveston in order for them to apply. This is the CFR – not the Administrative Plan – and is the law of the land. Commissioner LaRue interjected that he understood dealing with federal regulations, and that the entire goal here was to try to reserve as many of these public housing benefits as possible for residents of Galveston and it is through that preference point system that this can be achieved. We want to try to focus on positive issues that would apply to residents who live and/or work in Galveston. Mr. Krishnarao agreed with that and stated that something similar to this had been done before without violating regulations.

- f. DHAP-Ike Status – Ms. Crowder reported that currently GHA was providing rental assistance and case management for 1,374 families. Of those families, 251 are former public housing families, leaving a remaining 1,123 families that were previously non-assisted. Those families were not previously receiving any type of housing assistance prior to Hurricane Ike, but are still eligible under all of the requirements and regulations for DHAP-Ike assistance. To delve even further into the demographics of the 1,374 current families, 855 of those families currently live on the island. We do include Bolivar and part of Jamaica Beach for our purposes. The other 519 families are currently residing on the mainland, with the majority being in Texas City, LaMarque & Dickinson. We currently have 90% of our families qualified for an economic hardship waiver, which equates to 1,231. In order to request this waiver, the families must present their income documentation and there is a HUD-developed formula to determine eligibility. The hardship waiver is based on a sliding scale and is different for different families, depending on that family's income. For the 10% of the families not under this economic hardship, they are currently paying what is referred to as the Incremental Rent Transition (IRT) portion of their rent and each month HUD increased that by \$50 beginning in May, 2009. The remaining 90% of the families have proven that they cannot afford that amount.

Mayor Jaworski posed the question that if 569 public housing units were available, how many of the 855 families currently residing on the island would qualify for public housing. Ms. Crowder replied that her best educated guess would be approximately 800 of those families would qualify based on the fact that they are under economic hardship. The formula for income determination or public housing is very similar to that used for DHAP-Ike. Mayor Jaworski then asked Ms. Crowder if, in her professional opinion, the need for the rebuilding of the 569 units existed. Ms. Crowder answered affirmatively and stated that of the number of families that are employed versus unemployed, 760 of those families has a head of household that is currently unemployed.

Mr. Krishnarao explained that these numbers change daily and that periodically, he forwards these numbers to city hall and the city council. HUD also posts these numbers periodically on their website. Ms. Crowder explained that this was the Efforts to Outcomes (ETO) report used for DHAP-Ike. She also added that out of GHA's former public housing families, 158 of those are currently on the island with 93 currently on the mainland. When the survey was sent to these residents, the majority indicated that they were on the mainland because they could not find suitable housing in Galveston at the time their voucher was issued.

Commissioner Dennis asked how many of the 1,231 families qualified for assistance. Ms. Crowder said approximately 80% based on their income. She also clarified that a "family" could represent only one person. Mayor Jaworski questioned how many individuals these "families" represented. Mr. Krishnarao replied that the information was available and was currently around 2.3 on average per family.

Mr. Krishnarao stated that the number of board meetings was going to be increased to two meeting per months and that a listing would be provided.

Public Comments -

- a. David Miller stated that he had a few questions. He asked if there was going to be Section 8 housing in the historic district. The other question was if people in public housing were all labeled as one color. He addressed the Mayor and said that since he was the dictator of this board, how come the board does not reflect what is in public housing? He stated that as he listened to the numbers, he noticed that GHA is very secretive with their numbers. From your numbers, we already have more people on the waiting list. Not people from out of town. We know that you cannot segregate, but we already have over 800 according to the latest figures. So, we've got the numbers. We have everything we need in terms of what has been said that we don't need.
- b. Jennifer Womack stated that she fought valiantly for her housing. She stated that Mr. Bastien was very familiar with her. This is about fair housing and she speaks for all citizens of Galveston. She said that she returned back to Texas after having lived in Maryland. It was ordered by Judge Kent that she be provided with an informal hearing. That hearing was held March 29, 2007. Upon returning, she was at a school meeting where her HUD files were released. It is important that the housing authority protect the files of tenants and children in this program. She stated that her information was wrongly released. She came to Texas and received another housing voucher and had sixty days to find housing. She had to live somewhere temporarily and some things went on there. She questioned how the board could help her to maintain her housing because she needs housing for her children without restrictions. They say that this housing voucher program has a local preference. She stated that was a participant previously and this prohibits her from having the flexibility to move and to find housing or to extend that voucher. Because she challenged the system, she does not feel that she has been given the same privileges as other individuals. She asked for an opportunity to remain in this program for her children. She is under an economic hardship waiver. She addressed Mr. Krishnarao and requested that she keep her voucher.
- c. An unidentified woman from the audience asked a question referring to Section 8. Is it true that when persons are given the amount that they receive from GHA, can they also add another amount to their rental request. For example, if I had a place that was \$800 and the person was only eligible to receive \$400, that the landlord could obtain the additional amount from the client. Mr. Krishnarao asked to meet with this woman after the meeting. The other question is if the proposed homes or persons that are allowed to have Section 8 will be given a standard, like the public housing standard? Who is in charge of these standards? If we go into multiple units with government money, that they will come under some high standards so that GHA can stop taking the blame for police calls, etc. The newspaper gives data that makes everyone think that the 600 calls were GHA related.

Mayor Jaworski announced a public meeting on conciliation agreement scheduled for the following week at the convention center.

There being no further business, the meeting was adjourned at 6:27 p.m.
(d:minutes092710)