

December 15, 2011

HGAC

ATTN: Miles G. Arena

Disaster Recovery Coordinator

Houston-Galveston Area Council

P.O. Box 22777

Houston, TX 77027

Re: Comments on Amendment to the HGAC Mod of Rd 1 regarding the redistribution of \$25M to the Galveston Housing Authority

There are issues concerning the redistribution of the \$25M to GHA for the rebuilding of the public housing and the building of mixed income housing that need to be understood.

1). The proposed project does not Affirmatively Further Fair Housing and leads to increased racial and economic segregation and concentration.

2) In an effort to make the concentration of poverty less extreme, GHA has proposed a mixed income development but that does little to lessen the concentration of poverty and racial segregation and may make the situation even worse.

3) The money cannot be used by GHA in a timely fashion due to legal issues. The money needs to be used in some other way to Affirmatively Further Fair Housing and the Conciliation Agreement needs to be adjusted to allow for Affirmatively Further Fair Housing in the region. The money can be used in Galveston to meet unmet needs or rehab LMI rental property or distributed to other Housing Authorities in the area for the building of additional public housing units.

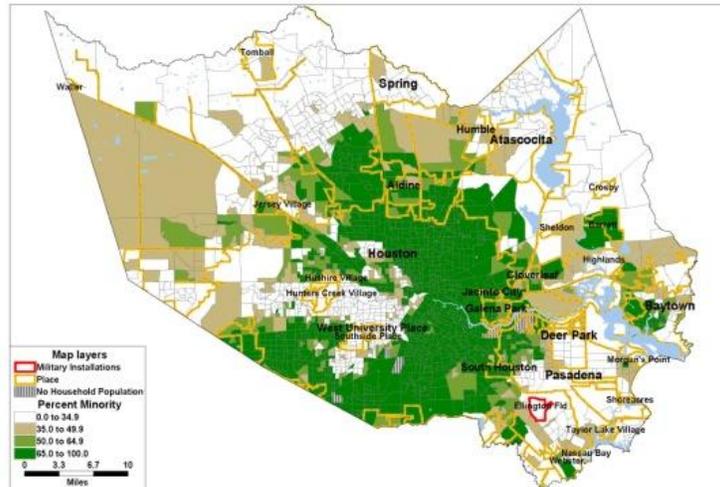
In more detail:

**1). The proposed project does not Affirmatively Further Fair Housing and leads to increased racial and economic segregation and concentration.**

Galveston has an extremely high number of minority residents, low and moderate income (LMI) residents, public housing and subsidized housing making the rebuilding of public housing in Galveston in violation of "Fair Housing".

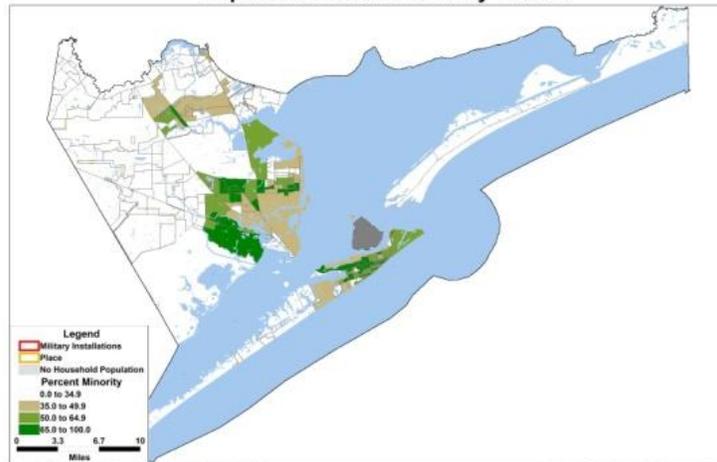
Galveston is 55% minority (Black and Hispanic) by the 2010 census and 60% of the population is low and moderate income (according to HUD and the 2000 census – the last good data). Galveston has some of the highest poverty and minority rates in the entire HGAC region.

### Harris County Household Population in Block Groups by Percent Minority in 2000



Source: U.S. Census 2000, Summary File 1  
Prepared for the Texas Department of Housing and Community Affairs

### Galveston County Percent of Block Group Household Population that was Minority in 2000



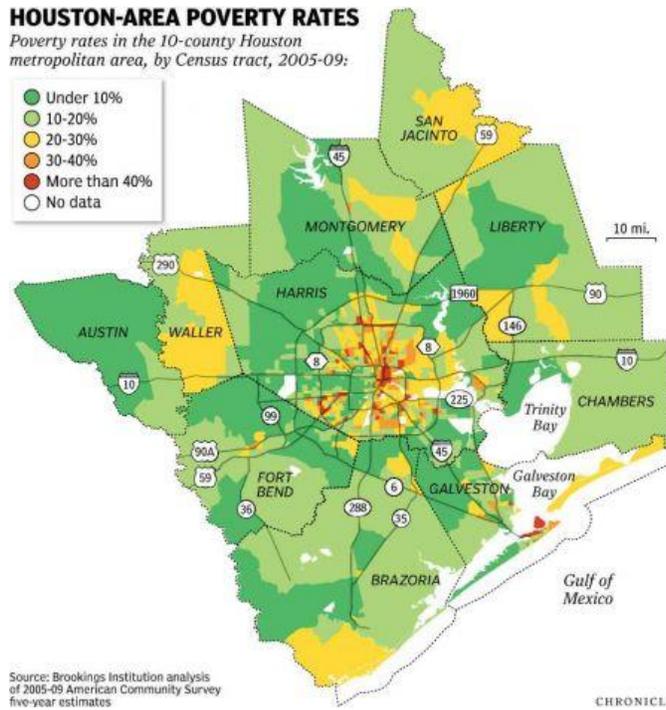
Prepared for the Texas Dept. of Housing and Community Affairs

Source: U.S. Census 2000, Summary File 1

An expanded view of the city of Galveston shows the city is predominantly minority. More than 75% of the non-Hispanic white population of Galveston lives in areas where they are less than 50% of the population.



The maps also show that Galveston has some of the highest poverty rates in the HGAC area.



And, in addition to the public housing, Galveston has a high concentration of Housing Choice Voucher (Section 8) housing.

Housing Vouchers Per 1000 Population

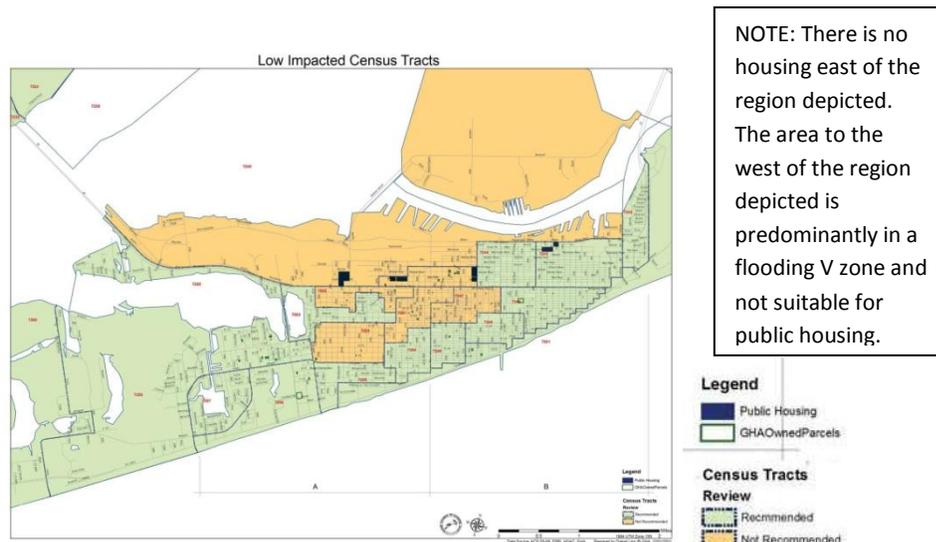


The minority and poverty rates are so high in Galveston that it was difficult to find “acceptable” census tracts for even the scattered site public housing. (Federal law prohibits the rebuilding of more than half of the 569 units on the previous footprint – so 284 units must be built elsewhere.) Public housing cannot be built in areas with a high impact of minorities and poverty.

The extreme situation of Galveston is evident by the statements of a GHA representative at a Galveston city council hearing:

**“The truth is, and that is one of the things that HUD talked through very specifically with us, is that most of the census tracts in Galveston are actually impacted [by poverty] – it’s just a matter of the ones that were less impacted. And they used a formula that they look at to determine where we could proceed [with scattered site public housing]. Their concern was that they were more impacted than they would like. However, we are required to build back here on the island.”**  
(Galveston City Council July 14, 2011 available at [www.cityofgalveston.org](http://www.cityofgalveston.org).)

Eventually, “low impacted” census tracts were identified that could be used for scattered sites.

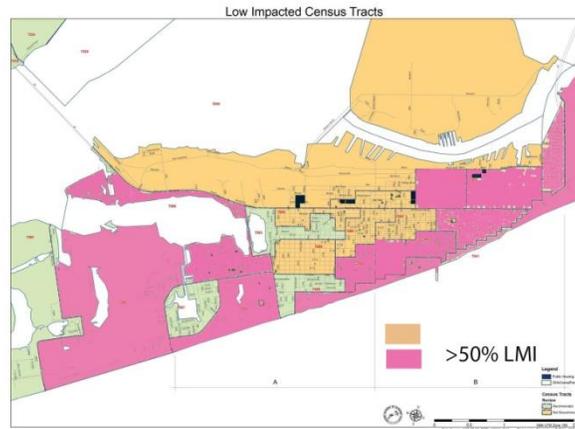


Though the criteria for selection has not been made public, it seems that most of the “low” impacted areas have less than 65% minority and/or more than 50% LMI (low and moderate income).

Some of the “acceptable” tracts have <50% minority- but there are many other acceptable census tracts with a greater minority population.



It's possible that the unspecified HUD criteria for "acceptable" relied on the level of low and moderate income residents but most of Galveston falls into this category.

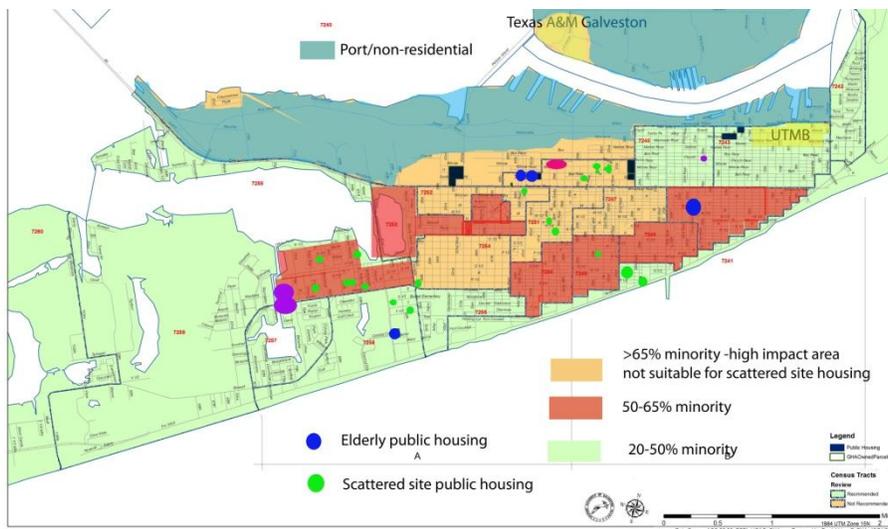


The census tracts with the housing project sites had LMI population of 77%, 66% and 90% LMI (in 2000) indicating an extremely high concentration of poverty. Rebuilding in the same location, even with a mixed income formulation, would result in continued concentration of poverty and minorities.

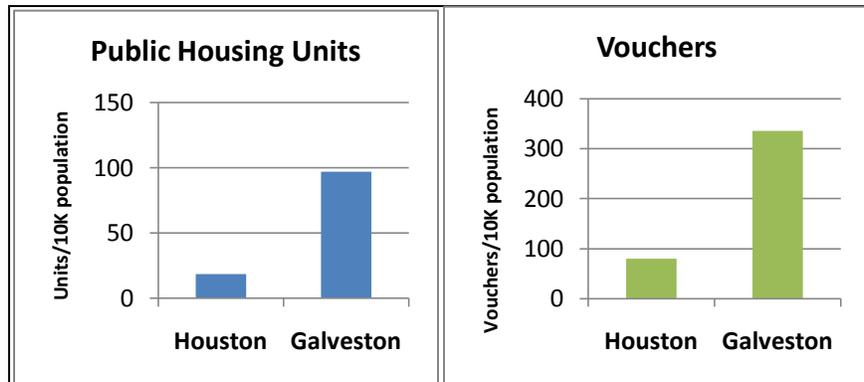
So Galveston is being forced to rebuild public housing in areas with high minority and high poverty – contrary to the Fair Housing Act and HUD policy.

**Galveston has an extremely large amount of public and subsidized housing.**

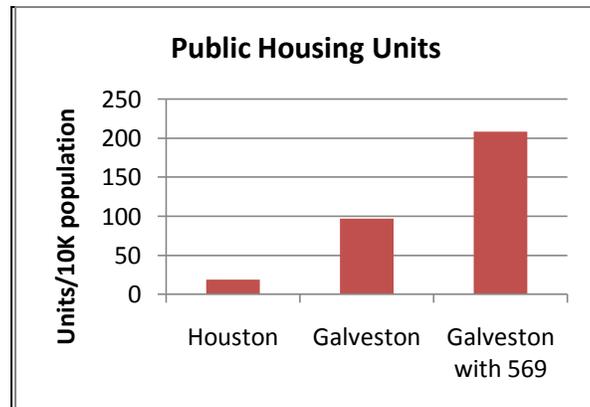
Out of a total of approximately 22,000 housing units, Galveston currently has 377 public housing units for the elderly and disabled and 74 scatter site family units. In addition, GHA administers 697 HCV(housing choice vouchers) which are used in Galveston and the Houston Housing Authority administers an additional 192 HCV vouchers which are used in Galveston. In addition, CDBG disaster round 1 funding is assisting in the rebuilding of 192 units of LMI housing at Baywalk, 256 units of LMI housing at Marina Bay and 46 units at the Jean Lafitte. The HUD LIHTC database lists an additional 387 units of LMI housing on the island. This is all in an area approximately 5 miles long and 2-1/2 miles wide.



The level of both public housing and housing choice vouchers (Section 8) administered by the Galveston Housing Authority can, perhaps, best be appreciated by comparison to the Houston Housing Authority (HHA)– the largest housing authority in the area. Though HHA has more units and more vouchers, they also have a much larger population to serve. When the level of public housing is expressed as units/10,000 population or vouchers/10,000 population it is easy to see the extreme level of public housing present in Galveston and the large number of vouchers. (Vouchers can be used outside of their home jurisdiction, however, so not all HHA voucher holders reside in Houston and not all GHA voucher holders reside in Galveston.)



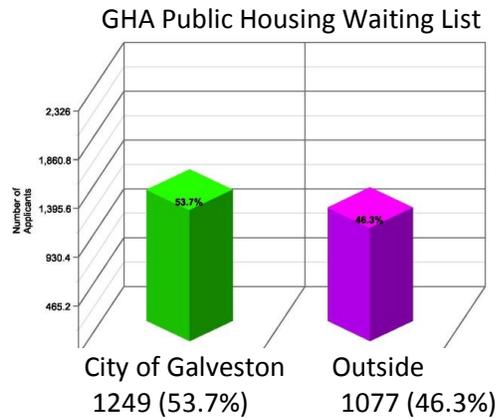
The above graphs represent the current situation. If the 569 units are rebuilt it will make the disparity even starker.



**Galveston has so much public and subsidized housing that it has been drawing the poor from other areas for decades and is predicted to continue doing so.** The latest housing market study conducted by GHA and its developer McCormack Baron Salazar clearly states

**“The subject (new mixed income housing) will likely draw from outside its primary market area. Based on my research and interviews with existing HTC (Housing Tax Credit) managers and leasing agents, a significant portion of the existing HTC complexes are leased to tenants from outside the PMA (Primary market area-city of Galveston), and even outside the state.”**

This is consistent with an analysis of the public housing waiting lists (pre Ike) which showed that 46% of those on the waiting list lived outside of the city of Galveston.



The long term effect of this, within the recent past and under current HUD low-income housing rules, is that Galveston has “pulled” poverty from other areas and concentrated it in Galveston – and will continue to do so until the situation is addressed.

The situation is a snowballing effect over time: We have more LMI residents – so we need more LMI-housing -which brings in more LMI residents-which means we need even more LMI housing-which brings in more LMI residents-which means we need more LMI housing .....

As long as Galveston’s low income and public housing continue to draw tenants from outside the city, we will continue to concentrate poverty in our city (which is opposed by HUD).

**2) In an effort to make the concentration of poverty less extreme, GHA has proposed a mixed income development - but that does little to lessen the concentration of poverty and racial segregation and may make the situation even worse**

The proposal for mixed income housing includes a complex of 1/3<sup>rd</sup> public housing 1/3<sup>rd</sup> low income tax-credit housing and 1/3<sup>rd</sup> market rate housing. The public housing is at 50% of its previous level resulting in a total housing density on the sites that is 50% higher than before unless additional land is bought. The use of “mixed income” housing at the GHA housing projects would have minimal impact on the concentration of poverty and minorities (which is opposed by the Fair Housing Act).

	%LMI in the census tract Without mixed income (prelke)	%LMI in the census tract With mixed income
1-Magnolia Homes	66	61
2-Cedar Terrace	90	87
3-Oleander	77	64

**All of these values are unacceptable and indicate a concentration of poverty, even with the mixed income, inconsistent with Affirmatively Furthering Fair Housing.**

A major problem with the mixed income plan is that it relies on the rental of market rate units by non-LMI residents to prevent severe poverty concentration. It is unusual for a mixed income housing development to be built in a region with a housing surplus and in some of the least desirable regions of a city.

“ Generally, the higher the average income in the neighborhood, or in some cases, the more diverse the ranges of income (mixing) already in the neighborhood, the easier it is to attract market rate tenants to a mixed-income project. When the neighborhood is predominantly lower income, the proportion of market rate units to restricted units in the mixed-income project must be higher to successfully attract the market rate tenants.” (FHA Mixed-income housing underwriting guidelines).

The proposed plan has a high concentration of restricted units and is located in some of the poorest parts of a poor city. As the developer admits, tenants could “use a Section 8 voucher for a market rate unit”. If that occurs then the number of LMI would be even higher than it was pre-lke and the %LMI could achieve 100% in the complex and over70% in the census tracts of all the sites.

**3) The money cannot be used by GHA in a timely fashion due to legal issues. The money needs to be used in some other way to Affirmatively Further Fair Housing and the Conciliation Agreement needs to be adjusted to allow for Affirmatively Furtherly Fair Housing in the region. The money can be used in Galveston to meet unmet needs or rehab LMI rental property or distributed to other Housing Authorities in the area for the building of additional public housing units.**

A) The “fairest” thing to do with the money is to allow the city of Galveston to use it to complete their unmet needs housing repair. Item 14 of the FHAST form states “...local jurisdictions and state agencies should work together to determine a demographic and economic profile of victims of the natural disaster and establish goals for assisting these population in no less that the proportions they were impacted by the disaster. “ Galveston has a population that is approximately 60% low and moderate income (according to the 2000 census). The Rd1 CDBG funds are being allocated on Galveston such that 78% of the funds are being used for LMI. If the \$25M was moved from LMI to Unmet Needs, then 69% would still be used for LMI. This would still leave Galveston’s expenditures unbalanced and not being spent in the proportion to those impacted with those in the LMI group receiving an excessive amount of the aid but it would be closer to equitable. Galveston is addressing its infrastructure needs in a fair manner and where the need exists, but is hindered in addressing its housing needs in a similarly fair manner by the state administrators who refuse to allow a shift of rd1 funds, and is devoting 100% of round 2 funds to LMI.

Because Galveston has had such great need, and because we have such a high concentration of low and moderate income people, Galveston has approximately an \$80Million excess being spent on those in LMI versus others. Many other jurisdictions have no excess, and many more are spending most of their money on others. Galveston should at least be allowed to shift a bit of the excess to others who actually are in need of the aid.

B) If HGAC wants to insure that the funds are used 100% for LMI in a timely fashion, then they should give the money to other housing authorities (or for LMI rental rehab on Galveston). The rebuilding of Galveston's public housing is so legally difficult, that delays will be long- if it's done at all.

Other Housing Authorities in the HGAC Area

Housing Authority	County
Bellville	Austin
LaMarque	Galveston
Texas City	Galveston
Baytown	Harris
Harris County	Harris
Houston	Harris
Pasadena	Harris
Cleveland	Liberty
Dayton	Liberty
Bay City	Matagorda
Palacios	Matagorda
Huntsville	Walker
El Campo	Wharton

Galveston cannot rebuild all its public housing while Affirmatively Furthering Fair Housing. It's not possible - Galveston is too small with too high a density of public housing, low income housing, low income people, Hispanics and African Americans. No one claims that the rebuilding Affirmatively Furthers Fair Housing - they just claim that the Conciliation Agreement calls for it. Even with the Conciliation Agreement in place, the rebuilding still needs to follow federal Fair Housing law.

The state of Texas and HGAC need to start re-examining the Conciliation Agreement and changing the requirement that Galveston rebuild all its public housing if they want to insure that 100% of that money will actually be spent on LMI housing. Contracts cannot be used to force Galveston to illegal action concerning the rebuilding of public housing. There will be a legal challenge to the rebuilding of Galveston's public housing and the continuing concentration of poverty and minorities into a very small portion of the HGAC area. The challengers certainly deserve to win the legal battle. The state of Texas and HGAC should pre-empt that law suit, and renegotiate the Conciliation Agreement in such a way that it does further Fair Housing while still providing LMI housing. Perhaps the money can be given to the Houston Housing Authority, the Harris County Housing Authority or other Housing Authorities in the area with perhaps 50-100 units rebuilt on Galveston (though even that portion may be in violation of Fair Housing).

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