

Galveston Housing Authority (GHA)

REBUILDING PLAN FOR PUBLIC HOUSING

Working Draft – Not for Distribution

March 29, 2011

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REBUILDING PLAN FOR PUBLIC HOUSING

PART I – GENERAL BACKGROUND INFORMATION

1.1 Introduction

When Hurricane Ike struck Galveston Island in September 2008, close to 88% of the residential units on the island were damaged; the majority sustained minor damage while approximately 1,000 were substantially damaged. At that time, GHA owned and operated 990 units of public housing including 356 units in two high rises for the elderly, 34 scattered sites, 20 new duplexes for the elderly, and 569 family units. More than half of GHA's public housing stock was damaged beyond repair by the hurricane.

The City of Galveston declared the 569 previously occupied units at Magnolia Homes, Oleander Homes, Palm Terrace and Cedar Terrace unfit for human occupancy and GHA subsequently moved to demolish the units in 2009. But prior to demolition, Lone Star Legal Aid (LSLA), on behalf of its clients who are displaced tenants of GHA public housing, filed an **Administrative Complaint on March 2, 2009** opposing plans to demolish Oleander Homes and Palm Terrace Addition. As a result of that complaint, GHA and LSLA entered into a **Settlement Agreement on March 13, 2009**. That Settlement Agreement specifically requires one-for-one replacement of the 569 multifamily public housing units to be demolished by GHA.

Immediately after Hurricane Ike struck the Island, GHA offered to administer more than 7,000 vouchers through the Disaster Housing Assistance Program (DHAP). This HUD/FEMA initiative provides monthly rental assistance and case management services for families displaced from their homes – in this case by Hurricanes Ike and Gustav. Over time many of these families have been able to find replacement housing and now GHA is providing DHAP assistance to 1,167, with the program scheduled to end September 30, 2011. Approximately 1,142 of these 1,167 households will be eligible for continued rental assistance because of their vulnerability. Of the public housing households previously living in the demolished units, 217 are participants in the DHAP-Ike program.

The intent of this document is to describe the current GHA Rebuilding Plan based on all the planning efforts GHA has undertaken to date. **The Rebuilding Plan focuses on how the 569 demolished public housing units will be replaced so that displaced residents can return to their communities and others in need of affordable housing can find high quality units in neighborhoods of choice and opportunity.**

The Rebuilding Plan includes three Initiatives:

1. **Oaks IV** - 20 duplex structures for a total of 40 1-BR replacement public housing units;
2. **Scattered Sites** - A **minimum of 50 and a maximum of 247 replacement public housing units** scattered throughout Galveston **in non-impacted neighborhoods**; and

3. **Mixed-Income Communities** - A minimum of 282 and a maximum of 479 replacement public housing units in mixed-income communities on the former public housing sites at Magnolia Homes and Cedar Terrace and any other parcels of land or buildings owned currently or acquired by GHA or the Master Developer in the future.

Substantial planning progress has been made since Hurricane Ike devastated the island. The challenge now is to move from a planning effort and into predevelopment and development activities based on the following key objectives:

- Rebuild much needed public and affordable housing
- Deconcentrate poverty and develop new public housing units in mixed income communities
- Use GHA's rebuilding efforts to revitalize Galveston's neighborhoods and stimulate private investment
- Provide more choice through a variety of geographic locations and housing types
- Maximize opportunities for low income residents to access the many jobs that will result from the redevelopment activities

1.2 Replacement Public Housing Progress to Date

GHA has actively engaged the broader Galveston community in creating a vision for how to rebuild public housing that is well designed and of high quality, stimulates neighborhood reinvestment, and provides opportunities for low-income residents to move towards self-sufficiency through a comprehensive and coordinated array of services for all ages. In the spring and summer of 2009, GHA sponsored a series of design workshops open to the Galveston community to explore design options for the former public housing family sites. Based on this input, GHA prepared a Redevelopment Plan in December 2009 that was approved by the GHA Board and formed the basis for the City's resolution to provide \$25 million in CDBG Round 1 Disaster funding for the redevelopment of public housing.

Key Galveston stakeholders, including the GHA, have participated in numerous planning efforts directed at how the city should rebuild in the aftermath of Hurricane Ike. There is growing consensus that any redevelopment needs to spur economic development to enhance the City's long-term financial viability; support the city's rich historic character in new construction and rehab activities; integrate public housing into healthy mixed-income communities; and address the vacant lots and abandoned houses that are a blight on neighborhoods in the urban core. Key planning documents that have guided the city's recovery efforts include the Long-Term Community Recovery Plan, which the city council unanimously accepted on April 9, 2009; the Urban Land Institute (ULI) National Panel report (June 2009); ULI's Advisory Services Panel Report (site visit May 31-June 5, 2009); and most recently, the Comprehensive Housing Market Study (draft dated May 21, 2010). A downtown redevelopment plan is also underway. The key message throughout is that recovery plans must be comprehensive – there must be quality housing for residents of all income levels, who have access to good jobs, to essential services and businesses, and to quality education for their children. Without these quality of life components, Galveston will not thrive in the long run.

GHA plays a critical role in the city's recovery as it is the primary provider of affordable housing for low income families and the island's more vulnerable populations including the elderly and disabled. With the rebuilding of 569 of GHA's original 990 public housing units, the Agency has a unique opportunity to

reposition public housing as a catalytic community asset that stimulates neighborhood reinvestment and long-term viability.

With this in mind, during 2010, GHA's redevelopment plan continued to evolve under a newly elected mayor, City Council, and a new Board. In looking for successful public housing redevelopment models in other parts of the country, and after site visits to New Orleans and Atlanta, the GHA Board became intrigued with the robust mixed-income model advocated by Purpose Built Communities. Purpose Built is a not-for-profit organization that consults with local leaders to implement a holistic neighborhood redevelopment initiative. **Purpose Built's model includes three strategic pillars: quality mixed-income housing, excellent cradle through college educational opportunities, and an array of community programs and services appropriate to the specific neighborhood.** The GHA Board saw the unique opportunity for Galveston to rebuild its public housing in a way to enhance Galveston's neighborhoods as well as provide a service-rich environment within which residents of all ages could thrive.

Some highlights of GHA's planning process include: 

- On March 6-7, 2009, GHA hosted a public Community Design Workshop to examine options for rebuilding the four housing sites demolished as a result of the hurricane.
- On March 13, 2009, GHA entered into a Settlement Agreement with Lone Star Legal Aid requiring one-for-one replacement of the multi-family public housing units demolished by GHA.
- Starting on July 25, 2009, a design firm procured by GHA facilitated a series of public design workshops and open studios to assist with creating preliminary designs for Oleander, Cedar Terrace and Magnolia Homes. Preliminary design recommendations were presented to the community on August 4, 2009. Under a separate procurement, an architect was hired to prepare the construction documents for Palm Terrace.
- On December 14, 2009, GHA's board approved a redevelopment strategy that called for the rebuilding of 390 public housing units on GHA's four existing sites and the development of 179 scattered-site public housing units on the island.
- On February 25, 2010, the Galveston City Council approved GHA's site plan for the Oaks IV.
- **On February 25, 2010, the Galveston City Council approved an award of \$25 million in CDBG Round 1 funds to support the redevelopment of 569 public housing units.**
- On April 14, 2010, GHA held its first Advisory Committee meeting to kick-off a planning process for a HOPE VI Implementation grant for Magnolia Homes.
- On July 1, 2010, GHA's Executive Director, the newly elected Galveston Mayor, and a newly appointed GHA Commissioner met with HUD senior staff, including Secretary Donovan and Assistant Secretary Marquez (CPD), to discuss plans for replacing 569 public housing units with CDBG Disaster funding.
- On September 14, 2010, GHA's HOPE VI consultants recommended not pursuing a HOPE VI grant for Magnolia Homes due to lack of consensus on design and density, leveraged financing, commitments from partners, and a low self-score based on the HUD NOFA.
- **On October 25, 2010, the GHA Board adopted Resolution 2649 describing GHA's Replacement Plan to include a scattered site component as well as mixed-income development at Magnolia Homes and Cedar Terrace.**

- On October 28, 2010, the Galveston City Council requested that GHA submit detailed site plans for one-for-one public housing replacement outlined in the Conciliation Agreement within 180 days.
- On November 30, 2010, GHA and Purpose Built Communities (PBC) entered into a Memorandum of Understanding (MOU) to work collaboratively on the planning and implementation of holistic mixed-income communities to replace the demolished public housing units.
- On February 2, 2011, the GHA Board adopted Resolution 2503 revising the October 25, 2010 Replacement Plan to be as follows: 40 units at The Oaks IV, a minimum of 50 scattered units of public housing and up to 479 public housing units in mixed-income developments at the sites of Magnolia Homes, Cedar Terrace and possibly Oleander Homes, or other sites that may be acquired.
- Procurement of realtors, appraisers, environmental consultants and developers for the Scattered Site Initiative.
- On March 4, 2011, GHA issued a Request for Qualifications for Master Developer for the Mixed-Income Communities Initiative with responses due May 3, 2011.
- On March 16, 2011, the GHA Board adopted the Site Selection Criteria for Scattered Sites.
- On April 25, 2011, GHA expects to make a recommendation to the Board for a Part 58 Environmental consultant.
- On May 9, 2011, GHA will hold a Grand Opening celebration for Oaks IV, the first 40 replacement public housing units to open after Ike.



1.3 Displaced GHA Residents

A total of 578 households were displaced by Hurricane Ike in 2008 between the four demolished properties and Holland House. Today, 217 of those households are active in the DHAP program (144 reside on the Island; 73 live off the Island). All original displaced households, regardless of whether or not they were in the DHAP program (with the exception of those who have been or will be removed due to a program violation), have priority for returning to the newly developed public housing units. Households with current addresses will receive direct mailings of the availability of new replacement units. GHA will also place advertisements in area newspapers announcing the availability of these replacement units in an effort to reach those households with no known address.

For the 217 former public housing households currently in the DHAP program, GHA provides case management services and is in regular contact with them to monitor their housing conditions and supportive service needs.

The following information is being used to guide the preparation of a unit mix for the new public housing units. GHA's Scattered Site Initiative is focusing on larger bedroom sizes (3- and 4-bedroom units) and while the mixed-income communities will provide housing for a full range of household sizes, it will primarily address the needs of the smaller households.

Unit Size	Unit Mix of GHA Sites Prior to Demolition	Displaced GHA HHS Who Wish to Return	Public Housing Wait List	Section 8 Waitlist
1 bedroom	74 (13%)	41 (22%)	501 (44%)	90 (25%)
2 bedrooms	252 (44%)	76 (41%)	434 (38%)	167 (46%)
3 bedrooms	189 (33%)	51 (27%)	140 (12%)	95 (26%)
4 bedrooms	48 (8%)	14 (8%)	49 (4%)	8 (2%)
5 bedrooms	6 (1%)	4 (2%)	14 (1%)	3 (1%)
Total	569 (100%)	186 (100%)	1,138 (100%)	363 (100%)

1.4 GHA's Redevelopment Initiatives

GHA has identified three redevelopment initiatives for the replacement of the 569 public housing units demolished. These initiatives focus on GHA public housing sites that were destroyed as a result of the Hurricane Ike as well as sites in the process of being acquired or to be acquired in the future by GHA.

Oaks IV Initiative

This initiative of 20 duplex structures, for a total of 40 1-BR public housing units, is under construction on the former Palm Terrace site. The units are targeted for occupancy in Summer 2011. No additional land is available at this site for more development. 

Scattered Site Initiative

The Scattered Site Initiative consists of up to 247 public housing replacement units scattered throughout Galveston Island in non-impacted neighborhoods. The initiative will include a combination of the acquisition of vacant lots, dilapidated structures that will be demolished, and existing structures that will be rehabilitated. These units will be constructed in the island vernacular, meet or exceed LEED standards, and be designed to mitigate flood hazards. The goals of the scattered site program are to give residents an opportunity to live in healthy and diverse neighborhoods; provide high quality, energy efficient housing; provide access to social, recreational, and commercial facilities; and revitalize neighborhoods in the City of Galveston, particularly those most impacted by Hurricane Ike.

GHA is in the process of working with homebuilders to construct the first fifty (50) scattered site public housing units. GHA will strategically identify lots in low minority/poverty census tracts and has procured real estate brokers, appraisers, and environmental consultants to assist with the acquisition process. The homebuilders will prepare designs, based on GHA's Design and Construction Guidelines, and will commence with local approval processes and construction once sites have been acquired, subject to HUD approval.

Based on the anticipated challenges associated with the development of the initial 50 scattered site public housing units, GHA may reduce the number of public housing units developed through this initiative and increase the number developed as part of the Mixed-Income Communities Initiative described below (up to 479). Any lots that GHA acquires around Cedar Terrace and Magnolia Homes will be made available to the Master Developer for inclusion in the mixed-income communities redeveloped on and around the former public housing sites.

Mixed-Income Communities Initiative

GHA is in the process of procuring an experienced Master Developer to utilize GHA’s former public housing sites at Magnolia Homes and Cedar Terrace (and any other parcels of land or buildings owned currently or acquired by GHA or the Master Developer in the future) to create vibrant, mixed-income, mixed-use, mixed-tenure communities serving households with a wide range of incomes.

The Master Developer will be responsible for recommending the appropriate redevelopment programs for each of GHA’s sites and acquired parcels in their immediate neighborhoods. These sites are north of Broadway in an area that suffered serious flood damage. GHA views its investment at both of these sites as an opportunity to serve as a catalyst for the reclamation of these neighborhoods. For that goal to be realized, the developments proposed for these sites must be of the highest quality and must address the specific opportunities presented in these two neighborhoods.

1.5 City of Galveston Review of GHA Plans

On May 28, 2009, the Galveston City Council directed the City Manager to make application for and execute a contract with TDHCA in the amount of \$160,432,233 for the CDBG Disaster Recovery Housing Program, including \$25 million for the Galveston Housing Authority (GHA) to rebuild 569 housing units for low-income residents displaced by Hurricane Ike. The City conditioned the release of CDBG funds to GHA contingent upon GHA submitting detailed site development plans and locations and obtaining Council approval in accordance with The City Charter, the Zoning Standards and Comprehensive Plan and Chapter 392 of the Local Government Code. The City and TDHCA have since entered into a contract for housing activities related to the CDBG Disaster Recovery Program effective September 11, 2009 through September 10, 2011.

On February 25, 2010, the City Council considered the Planning Commission’s recommendations for GHA’s conceptual public housing site plans for properties formerly known as Magnolia Homes, Oleander Homes and Cedar Terrace. The Council proceeded to approve Ordinances 10-015, 16 and 17 approving a maximum number of replacement units and further finding that the Planning Commission shall review the final detailed site plans at each location and make a recommendation to City Council who shall have final approval of the detailed site plans.

The maximum number of units for each site based on Ordinances 10-015, 16 & 17 is:

Oleander Homes	120 units
Cedar Terrace	110 units
Magnolia Homes	120 units

On February 25, 2010, the City Council received the Planning Commission’s recommendations and adopted Ordinance 10-021 approving GHA’s detailed site plan for Oaks IV consisting of 20 single story duplex structures totaling 40 1-BR public housing units for elderly residents.

Also on February 25, 2010, the City Council agreed to enter into a sub-recipient agreement with GHA for the expressed use, process and disbursement of the \$25 million Round 1 funding upon the City’s final approval of a detailed plan for all 569 public housing units.



On October 28, 2010, the City Council adopted Resolution 10-053 directing GHA to submit the remainder detailed site plans for one-for-one public housing replacement outlined in the Conciliation Agreement within 180 days of the effective date of the Resolution.

At this point, there is inconsistency, as described below, between what has been approved by the City and GHA's current Redevelopment Initiatives described in Section 1.4.

1.6 Inconsistencies between GHA and City Plans

Oaks IV Initiative

City Council Resolution 10-021 approved GHA's plan for Oaks IV and GHA has proceeded with development under the HUD traditional development proposal model for public housing. This development is being funded solely with 2005 – 2011 Replacement Housing Factor funds from HUD and will not use Round 1 CDBG funds. Although City Resolution 10-021 states these units will be for elderly residents, for GHA to limit a public housing site to elderly residents only, GHA would have to apply to HUD for an Elderly Only designation. **GHA does not currently plan to pursue Elderly Only designation.** Therefore any household that qualifies for a 1-BR unit under GHA's Admissions and Continued Occupancy Policy (ACOP) will be eligible to lease a unit at Oaks IV.

Scattered Sites Initiative

This Initiative, intended to help revitalize hurricane impacted neighborhoods on the island and spur additional private and public investment, **has not been considered by the City Council to date** in its review of GHA rebuilding plans. While GHA Resolution 2399, adopted on December 14, 2009, included 79 scattered site units, this Initiative was clarified by the GHA Board on October 25, 2010 via Resolution 2469 and then further reinforced by Resolution 2503 on February 2, 2011. Resolution 2503 revises the Replacement Plan to include a minimum of 50 scattered units of public housing. Since that time, this Initiative has been further defined by GHA to be a minimum of 50 and a maximum of 247 scattered site public housing replacement units. To accomplish this Initiative, **GHA will need access to Round 1 CDBG funds** to either pay for or reimburse GHA for predevelopment and construction activities that may include third party consultants, real estate options, acquisition of land, demolition of dilapidated structures and construction of public housing rental units and associated infrastructure. In addition, the **City's CDBG program management contract with Camp Dresser & McKee Inc. (CDM) does not contemplate oversight of multiple sites.**

Mixed-Income Communities Initiative

Current City Council Resolutions contemplate building only public housing units back on the three GHA sites demolished as a result of Hurricane Ike. On November 29, 2010, GHA entered into a Memorandum of Understanding with Purpose Built Communities as a strategic advisor to work with GHA in creating holistic mixed-income communities. GHA Resolution 2503 adopts this mixed-income concept for rebuilding by stating that up to 479 public housing units will be built in mixed-income developments at the sites of Magnolia Homes, Cedar Terrace and possibly Oleander Homes, or other sites that may be acquired. Based on the outcomes of the master planning for each site to be conducted during Summer 2011 by the Master Developer, **the number of public housing units for each site, as well as the number of other affordable and market-rate units, and the footprint of each site, may be substantially different than that adopted by City Council Ordinances 10-015, 16 and 17.** In addition, to accomplish this Initiative, **GHA will need access to Round 1 CDBG funds** to either pay for or reimburse GHA for predevelopment and construction activities lead by the Master Developer.



Community and Supportive Services Plan

To complement the rebuilding program, GHA seeks to enhance the economic self-sufficiency of the households it serves and to maximize job opportunities resulting from the redevelopment effort. To do so, GHA is requesting that a portion of the CDBG funding to be used for a comprehensive GHA-wide human services program that provides a network of services to support residents as they move towards gainful employment and self-sufficiency. Depending on the specific needs of each household, these services can range from early childhood education and health programs to GED classes and workforce development programs. GHA is requesting that \$2,000/unit of the CDBG monies, for a total of \$1,138,000, be set aside for these purposes, with initial funding to support a detailed resident needs assessment and the development of a GHA Community and Supportive Services Plan for all GHA residents identifying the network of services and service provides necessary to support an aggressive human capital development initiative. The funds will also be used to support the implementation of a comprehensive and robust support services program for the multiyear redevelopment period. GHA is also in the process of developing a strong Section 3 program to ensure low income residents have access to the jobs created by all redevelopment activities.

Issues

Specific issues that need to be addressed immediately between GHA and the City include:

1. **Oaks IV –**
 - a. While the City Resolution approving the plan for Oaks IV anticipates this site as “elderly”, GHA does not intend to pursue Elderly Only designation approval from HUD. Does Resolution 10-021 need to be revised to reflect this? Units will begin leasing shortly after the Grand Opening in May 2011.
2. **Scattered Sites –**
 - a. This initiative has not been contemplated to date in the City’s review of GHA’s rebuilding plans, expenditure of Round 1 CDBG funds or the program management contract with CDM. GHA Resolution 2503, adopted to further clarify GHA’s commitment to rebuilding as a condition imposed by TDHCA on further City access to be able to draw down Round 1 funds, specifically states this as one of three GHA initiatives for rebuilding. What needs to be done to adopt this initiative as a key to GHA’s rebuilding efforts?
 - b. The City limited Round 1 CDBG to hard costs. GHA is requesting access to \$1,704,970 in Round 1 CDBG funds to pay for predevelopment costs related to third party consultants, real estate options, acquisition of land and demolition for multiple sites. Ultimately, GHA is projecting an estimated need for a total of \$9,303,120 to complete 50 scattered site units. See Section 3.4 for further detail.
 - c. One component of the HUD Acquisition Plan, which must be submitted to receive approval to purchase property and to attach operating subsidy to the units, is a Part 58 EA. HUD expects this to be conducted by the City as the Responsible Entity. GHA is currently procuring an environmental consultant under 24 CFR Part 85.36 to perform this work but the City will still need to sign off on the completed work to submit it to HUD. How should this be coordinated to ensure the City will approve?
3. **Mixed-Income Communities –**
 - a. City Ordinances 10-015, 10-016 and 10-017 state the specific number of units (100% public housing) to be rebuilt on the vacant Oleander Homes, Cedar Terrace and Magnolia Homes sites and the City is requiring detailed plans to be submitted prior to access to CDBG Round 1 funds. GHA is now pursuing a mixed-income, mixed-finance approach at the Magnolia

Homes and Cedar Terrace sites and will be working with the community and a Master Developer to master plan these neighborhoods. How does the number of units currently allowed by the City get modified to reflect the master plan to be created for these sites as well as providing for access to Round 1 CDBG funds to support predevelopment and development costs related to this effort?



4. GHA Community and Supportive Services Plan –

- a. While the City has limited use of the Round 1 CDBG funds to hard costs related to rebuilding public housing, GHA desires to set aside \$2k/unit or \$1,138,000 of the Round 1 CDBG funds to fund the development and implementation of a Community and Supportive Services Plan that provides access to a wide array of services for all GHA residents. What is the approval process necessary to achieve this?

1.7 Discussion of PIH Rules and Regulations

HUD rules require that GHA follow 24 CFR Part 85.36 for all procurement with the intention of creating full and open competition. In addition, as a result of HUD’s mixed-finance regulations, 24 CFR 941 Subpart F allows housing authorities to procure “partners”, in this case developers, using a Request for Qualifications (RFQ) process. Once procured under Subpart F, a partner is no longer subject to Part 85.36 when hiring third parties as long as the housing authority does not exercise significant functions within the owner entity with respect to managing the development of the proposed units. Finally, local procurement regulations that are more stringent than HUD regulations must also be adhered to. As a housing authority, GHA is following these HUD procurement regulations in its rebuilding initiatives to be financed with CDBG funds.

In addition to procurement rules, HUD provides guidance for mixed-finance development in the form of its Cost Control and Safe Harbor Standards. These standards establish limits for predevelopment cost sharing, developer fee, GC fees, identity of interest issues, management fees, etc. These items are typically described in a Rental Term Sheet submitted to HUD for review. As long as the proposed structure and fees fall at or below Safe Harbor, HUD review is limited. If the project exceeds Safe Harbor, a HUD Review Panel evaluates the structure and provides guidance on what they will/will not allow. GHA intends to follow the HUD Cost Control and Safe Harbor Standards for its rebuilding initiatives.

Finally, HUD’s HOPE VI and Choice Neighborhoods Initiative programs allow up to 15% of grant funds to be set aside to fund social services. GHA is pursuing a similar approach to fund a Human Capital Plan using Round 1 CDBG funds as described more fully in Section 1.6.



1.8 GHA Resources for Rebuilding

In addition to the \$25 million in CDBG funds allocated by the City to GHA for rebuilding, GHA received \$17,873,705.33 in Insurance Proceeds directly related to hurricane damage to its public housing units. Of that amount, \$16,795,791.27, or \$29,518.09 per unit, is tied to the 569 units demolished at Oleander Homes, Magnolia Homes, Cedar Terrace and Palm Terrace as a result of the hurricane. The remaining amount (\$1,077,914.33) is for public housing units damaged but not demolished as a result of the hurricane.

GHA has expended \$1,711,217.75 of the \$16,795,791.27 through March 4, 2011 leaving \$15,084,573.52 for rebuilding efforts. Consistent with regulations for HUD Capital Funds, GHA will set aside 10% of the remaining amount for Administration (\$1,508,574) and another 10% for Contingency (\$1,508,574), leaving \$12,067,425.52 for the Scattered Sites and Mixed-Income Communities Initiatives.

In summary, GHA has the following resources available for rebuilding the 569 units:

- \$25 million in CDBG Round 1 Disaster Funds
- \$15.085 million in Insurance Proceeds
- \$3.57 million in RHF Funds
- \$4 million in GHA Unrestricted Funds
- \$50 million in CDBG Round 2 Disaster Funds



Total Funds Available: \$97.655 million

Additional competitive funds under CDBG Round 2 and other state programs are also available for GHA and the Master Developer to pursue.

Per HUD's 2010 Total Development Cost (TDC) Limits for Texas City, TX, and using the unit mix at the original public housing sites, total development costs are estimated at over \$110 million.

2010 HUD HCC/TDC Limits for Texas City, Texas

		Original Bedroom Mix	2010 TDC Limits		Estimated TDC Replacement Costs
			HCC	TDC	
1BR	Elevator	74	77,859	124,574	9,218,476
1BR	Det/Semi	0	93,309	163,290	-
2BR	Det/Semi	252	106,118	185,706	46,797,912
3BR	Det/Semi	189	125,577	219,760	41,534,640
4BR	Det/Semi	48	147,585	258,273	12,397,104
5BR	Det/Semi	6	161,654	282,894	1,697,364
Total		569			\$111,645,496

Additional costs may be associated with the need to raise units above Base Flood Elevation (BFE) which is estimated to be around 13 feet (in many instances, a full story above grade); replacement of infrastructure and utilities damaged by the storm; 'greening' the buildings to current HUD standards; and acquiring buildable sites in appropriate neighborhoods. These building requirements are estimated to increase construction costs by an additional 10-20%, or \$11-\$22 million for the public housing units alone, for a total public housing unit construction cost preliminarily estimated at approximately \$134 million. Therefore additional funding sources will be required to develop both the public housing and non-public housing rental and for-sale housing to create the mixed-income communities that are desired by GHA and the City.

1.9 Additional Services Provided by GHA

Affordable Homeownership

GHA views homeownership as an important asset building goal for many low income families. It is also vital to the city's long-term recovery to increase the tax base and to encourage private investment, particularly in Galveston's more distressed neighborhoods. To that end, GHA has a goal of selling 20 houses to eligible low income families over the next 5 years. To meet this goal, GHA has developed a number of innovative programs to encourage and support potential homebuyers as they become credit-worthy and knowledgeable about the responsibilities of homeownership. GHA will utilize its successful Section 8 Homeownership Voucher program to increase ownership opportunities for households at or below 50% AMI (per eligibility requirements of the HCV program). GHA is also developing a Lease to Purchase program as a subset of the Section 8 Homeownership program, to work with households who are not able to secure a traditional first mortgage until they repair their credit and can accumulate some savings. The Lease to Purchase program will focus on the acquisition and rehabilitation of vacant properties that will be ultimately purchased by the participating household. GHA is working with other partners to offer creative opportunities for first-time, low-income homebuyers to purchase property.

GHA may also develop traditional affordable homeownership opportunities with CDBG Round 2 competitive funding that targets owners between 50-80% AMI as well as those up to 120% AMI. These for-sale opportunities would be linked to mixed-income community revitalization efforts at GHA's family sites to ensure a broad range of incomes in neighborhoods north of Broadway.

Project-basing of Vouchers

GHA has the ability to project-base up to 20% of its Housing Choice Vouchers, or approximately 300 PBV units. Because of the high demand for affordable housing and the desire to provide more geographic diversity for deeply subsidized housing (residents must be below 50% AMI), GHA has targeted 200 units for project-basing over the course of the next few years. 

Resident Services and Section 3 Program

One of GHA's most important goals is the increased economic self-sufficiency of the households it serves. This will be accomplished by creating a strong Section 3 program to ensure access to the job opportunities resulting from redevelopment and by maintaining a robust resident services delivery system. GHA will partner with Galveston College for job training programs related to Heating, Ventilation and Air Conditioning (HVAC), welding, industrial systems, computer technology, and office technology. GC is already administering workforce development programs for island residents. Workforce Solutions, GHA's long term partner, will continue their work on job training, resume and interview skill building, and other workforce development initiatives that will complement the 'hard' skills residents will be developing in the construction field. GHA will work closely with developers and contractors to ensure that they implement strong Section 3 programs and provide job opportunities that feed into the job training and skills being developed by GHA's partners.

GHA will build off of its successful case management of DHAP families to deliver similar comprehensive services to residents of public housing and in the HCV program. GHA will identify funding sources that can be utilized for resident services and case management and ensure that facilities are available for both services and community activities in and/or near developments to promote community cohesion and the long term health and vitality of public housing residents.

PART II – OAKS IV INITIATIVE

2.1 Program Description

GHA's Oaks IV development consists of 40 new construction units for low-income families (<80% AMI). All of the units will be public housing (rental) with federal operating subsidy attached. The units will be located in 20 single-story duplex structures constructed on the former 4.25 acre public housing site known as Palm Terrace Annex bordered by Ball Street on the north, Sealy Street on the south, 41st Street on the east and 43rd Street on the west. GHA is developing these units under the HUD traditional public housing development method and will retain ownership of the land and improvements.

The buildings are stick framed on top of pilings and are raised to 2' 6" above BFE. The units average 639 sq ft and all units are wheelchair accessible. Unit amenities include covered entries, R-15 walls and R-30 ceilings, porches, solid surface countertops and all wood cabinets. Energy Star rated appliances such as refrigerators with ice makers, microwave ovens, stoves and HVAC units will be used in all units. Units will be individually metered and tenants will pay for their utilities except for water and sewer service. A utility allowance will cover the tenant's utility costs. New streets and parking areas will be constructed inside the development. Common area amenities include barbeque grills, benches and green space.

All units will be leased in accordance with Public Housing Requirements and GHA will manage the property. All residents will be able to participate in programs offered by the GHA Resident Services Department, which includes computer classes and connections to services in the community.



2.2 Unit Mix

Public Housing Units					
Unit Type	1BR	2BR	3BR	4BR	Total
Detached/Semi-Detached	40				40
Elevator					
Row House					
Walk-up					
Total Public Housing Units	40				40

2.3 Development Schedule

Activity	Start Date	Completion Date
Design	May 2009	August 2009
Environmental Review	November 2009	January 2010
Bidding	August 2009	September 2009
Building Permit	September 2009	December 2009
HUD Development Proposal	October 2009	May 2010
Construction	May 2010	May 2011
Lease Up	May 2011	June 2011

2.4 Sources and Uses

Only HUD Replacement Housing Factor funds were used to fund the development of the Oaks IV. Insurance proceeds for Palm Terrace are being allocated to the remaining GHA rebuilding initiatives.

Oaks IV Sources & Uses

Uses		Sources	
Administration	357,035	RHF Funds (2005 – 2009)	2,817,000
A/E Fees & Testing	2219,400	RHF Funds (2010 & 2011)	<u>753,000</u>
Contingency	<u>233,565</u>		3,570,000
Total Soft Costs	820,000		
GC Gen Cond/Bond/Insurance	181,625		
Site Work	903,740		
Buildings	<u>1,664,635</u>		
Total Hard Costs	2,750,000		
Grand Total	3,570,000		3,570,000

2.5 Admissions and Continued Occupancy

Previous public housing residents who were forced to move due to Hurricane Ike will have first right of return to the units at Oaks IV based on current occupancy standards for 1-BR units. If not enough Ike affected residents choose to return, GHA will turn to its public housing wait list for potential residents. GHA's Admissions and Continued Occupancy Policy (ACOP) outlines the standards for admission into public housing operated by GHA. The ACOP is applied to all interested households that apply for public housing and for all applicants selected from the GHA wait list.

PART III – SCATTERED SITES INITIATIVE

3.1 Program Description

The Scattered Sites Initiative includes a minimum of 50 and a maximum of 247 scattered site public housing replacement units in 3- and 4-BR unit configurations ranging from single family homes to fourplexes. GHA has started the HUD approval process to acquire lots for replacement units in neighborhoods throughout Galveston Island. GHA acknowledges that the acquisition process may be both time consuming and expensive as it includes contacting owners, obtaining appraisals, negotiating prices, closing, and preparing/clearing the parcel (some may have structures that need to be moved per historic requirements and/or demolished; all sites will need to pass an environmental review and some may need remediation). Based on that, GHA will start this initiative with the goal to develop 50 scattered site units and then make a determination about whether to pursue the maximum of 247 scattered site public housing units.

GHA has recently procured experienced real estate brokers as well as appraisers, environmental firms and homebuilders. The goal is to identify properties in both racially and economically non-impacted areas (HUD Site & Neighborhood Standards) to broaden geographic opportunity, as well as properties surrounding existing GHA footprints. The GHA Board has formalized the criteria for scattered site acquisition by adopting Resolution 2514, Scattered Site Selection Criteria. This criteria will be used to identify the census tracts in which GHA can develop public housing. A Part 58 Environmental Assessment will be conducted for these areas and a general Acquisition Plan will be submitted to HUD for review and approval. Once HUD approves the Part 58 EA and Acquisition Plan, GHA will provide the procured realtors with a notice to proceed to begin searching for properties that meet the Selection Criteria.

GHA will also create a Site Selection Technical Committee which will be tasked with reviewing all properties the realtors bring forward for acquisition consideration. This Technical Committee will consider price, location, construction costs based on characteristics of the lot, etc. to determine whether to proceed. If the property is deemed suitable, the realtor will enter into a purchase option, probably for 180 days, to allow GHA to conduct the necessary due diligence such as environmental review, appraisal and title report. This information will then be assembled for submission to HUD to receive approval to purchase the property, preferably in groups of 10 lots at a time.

Once HUD approval to purchase a specific lot is received, GHA will execute the purchase and sale at the agreed upon price. At that point, GHA will assign the lot to one of the procured homebuilders. GHA is currently in the process of working out details of preselected 3- and 4-bedroom unit plans and costs with the homebuilders so that once a lot is assigned, a unit plan and construction contract can be assigned as well. The homebuilder will be responsible for obtaining a building permit, acquiring financing for and constructing the unit, and receiving a Certificate of Occupancy. Once completed to the satisfaction of GHA, GHA will purchase the unit from the homebuilder and will lease the unit based on the priorities described in Section 3.5 below.

3.2 Proposed Unit Mix – 50 units

Public Housing Units					
Unit Type	1BR	2BR	3BR	4BR	Total
Detached/Semi-Detached			35	15	50
Elevator					
Row House					
Walk-up					
Total Public Housing Units			35	15	50

3.3 Estimated Development Schedule – 50 units

Activity	Start Date (Estimated)	Completion Date (Estimated)
Procure Third Parties	January 2011	May 2011
Site Selection Criteria	February 2011	March 2011
Part 85 Environmental Review	May 2011	June 2011
HUD Acquisition Plan	June 2011	June 2011
HUD Approval of Acquisition Plan	June 2011	July 2011
Lot Options	July 2011	
Environmental Review of Lots	July 2011	
Appraisal of Lots	July 2011	
Title Report on Lots	July 2011	
Site Specific Acquisition Plan	September 2011	
HUD Approval	September 2011	November 2011
First Lot Acquisition	November 2011	
First Scattered Site Construction	December 2011	April 2012
First Scattered Site Lease Up	April 2012	

3.4 Proposed Sources and Uses – 50 units

See following page.

3.5 Admissions and Continued Occupancy

Previous public housing residents who were forced to move due to Hurricane Ike will have first right of return to the scattered site units based on current occupancy standards for 3- and 4-BR units. If not enough Ike affected residents choose to return, GHA will turn to its public housing wait list for potential residents. GHA's Admissions and Continued Occupancy Policy (ACOP) outlines the standards for admission into public housing operated by GHA. The ACOP is applied to all interested households that apply for public housing and for all applicants selected from the GHA wait list.

Scattered Sites Sources & Uses - 50 units

	3 BR		4 BR		Total - 50 Units	
	Per Unit Ave	35	Per Unit Ave	15	Predev	Total
Sources						
GHA Insurance Proceeds	\$22,812	\$798,420	\$22,812	\$342,180	\$1,140,600	\$1,140,600
Round 1 CDBG	\$183,327	\$6,416,440	\$192,445	\$2,886,680	\$1,704,970	\$9,303,120
Total Sources	\$206,139	\$7,214,860	\$215,257	\$3,228,860	\$2,845,570	\$10,443,720
Uses						
Part A Costs						
Acquisition						
Vacant	\$19,500	\$351,000	\$19,500	\$156,000	\$507,000	\$507,000
Demo	\$10,000	\$90,000	\$10,000	\$40,000	\$130,000	\$130,000
Rehab	\$75,000	\$600,000	\$75,000	\$225,000	\$825,000	\$825,000
Construction						
Residential Construction*	\$125,000	\$4,375,000	\$134,000	\$2,010,000		\$6,385,000
Demolition	\$10,000	\$90,000	\$10,000	\$40,000	\$130,000	\$130,000
General Conditions 6%	\$7,500	\$262,500	\$8,040	\$120,600		\$383,100
Overhead 2%	\$2,500	\$87,500	\$2,680	\$40,200		\$127,700
Profit 6%	\$7,500	\$262,500	\$8,040	\$120,600		\$383,100
Contingency 5%	\$6,250	\$218,750	\$6,700	\$100,500		\$319,250
Soft Costs						
Option Fees	\$1,500	\$52,500	\$1,500	\$22,500	\$75,000	\$75,000
A/E	\$1,000	\$35,000	\$1,000	\$15,000	\$50,000	\$50,000
Permits 1%	\$1,250	\$43,750	\$1,340	\$20,100	\$63,850	\$63,850
Third Party Inspections	\$1,000	\$35,000	\$1,000	\$15,000	\$50,000	\$50,000
Part 58 EA	\$1,750	\$61,250	\$1,750	\$26,250	\$87,500	\$87,500
Environmental Review	\$3,950	\$138,250	\$3,950	\$59,250	\$197,500	\$197,500
Realtor	\$2,090	\$62,460	\$2,090	\$25,260	\$87,720	\$87,720
Appraiser	\$1,000	\$35,000	\$1,000	\$15,000	\$50,000	\$50,000
Title & Closing	\$1,500	\$52,500	\$1,500	\$22,500	\$75,000	\$75,000
Legal Counsel	\$3,000	\$105,000	\$3,000	\$45,000	\$150,000	\$150,000
TA Consultants	\$2,015	\$70,525	\$2,015	\$30,225	\$100,750	\$100,750
Subtotal Part A Costs	\$213,638	\$7,028,485	\$224,438	\$3,148,985	\$2,579,320	\$10,177,470
Part B Costs						
Admin	\$3,325	\$116,375	\$3,325	\$49,875	\$166,250	\$166,250
Human Capital Development	\$2,000	\$70,000	\$2,000	\$30,000	\$100,000	\$100,000
Subtotal Part B Costs	\$5,325	\$186,375	\$5,325	\$79,875	\$266,250	\$266,250
Total Part A & B Costs	\$206,139	\$7,214,860	\$215,257	\$3,228,860	\$2,845,570	\$10,443,720
HUD TDC	\$219,760		\$258,273			

*includes insurance, financing and interest

PART IV – MIXED-INCOME COMMUNITIES INITIATIVE

4.1 Program Description

The Mixed-Income Communities Initiative includes a minimum of 282 and a maximum of 479 replacement public housing units in mixed-income communities on the former public housing sites at Magnolia Gardens and Cedar Terrace and any other parcels of land or buildings owned currently or acquired by GHA or the Master Developer in the future. GHA is in the process of procuring a Master Developer who will own and operate these units and who will oversee and implement the redevelopment efforts in partnership with GHA and the community. The Request for Qualifications for Master Developer for the Development of Mixed-Income Communities (RFQ), allowed by HUD procurement regulations at 24 CFR 941 Subpart F, can be found on GHA's website.

4.2 Creating Mixed-Income Communities

Prior to Hurricane Ike, GHA primarily served very low income households at its public housing sites: 82% were extremely low income (below 30% Area Median Income) and only 3% had incomes between 50-80% AMI. GHA's current public housing wait list indicates an even greater demand by extremely low income households, likely the result of the storm's damage to inexpensive housing which has not been replaced. It is important to note that very low and low income households are typically employed and that extremely low income households include the elderly, disabled, or employed households with low paying part- or full-time jobs.

Income of GHA Residents and Applicants

HUD Definitions	Area Median Income For Family of 4*	Income Range	GHA Residents Pre-Ike (Oct 2008)	Current GHA PH Wait List
Extremely Low Income	< 30% AMI	< \$19,550	82%	90%
Very Low Income	30-50% AMI	\$19,551-\$32,550	15%	8%
Low Income	51-80% AMI	\$32,551-\$52,100	3%	2%

* FY2010 MFI (4 person family) is \$65,100

National research and experience has shown that large concentrations of extremely low income households in large housing developments are difficult to manage, evidence higher crime rates, and have a negative impact on the surrounding neighborhood. Recognizing this, GHA's goal is to not only develop quality affordable housing but to also create healthy and sustainable mixed-income, mixed use communities that have a rich array of assets from housing and retail facilities to parks and quality schools. As part of the proposed mixed-income communities on GHA's former public housing sites, the plan must include non-public housing units to serve a range of incomes, offering both rental and homeownership opportunities. The following chart highlights funding sources typically used to develop units targeted to different income levels.

2010 HUD Income Limits: Houston-Baytown-Sugar Land, TX HMFA

<i>Income Level</i>	<i>AMI</i>	<i>Family Income</i>	<i>Funding/Unit Types</i>
Extremely Very Low	0-30%	<\$19,550	Public housing and/or PBV units, leveraged with LIHTC; CDBG-D funds
Very Low	30-50%	\$19,551 - \$32,550	PH, PBVs, Sec8 Homeownership, LIHTC (40-60% AMI); CDBG-D funds
Low	50-80%	\$32,551 - \$52,100	LIHTC (40-60% AMI), CapFunds (for-sale), CDBG-D funds (rental + for-sale)
Moderate/Market	80-120%	\$52,101 - \$78,100	Private debt; possibly CDBG-D (rental + for-sale)

FY2010 MFI (4 person family) is \$65,100

To ensure that the rental units, regardless of what income level they serve, are intermingled throughout the new community, funding from a variety of sources must be available at closing and under a single ownership structure. This is to avoid developing identifiable units or buildings that are associated with public housing, tax credit, or market-rate families. It is important to note that the CDBG Round 1 funds will primarily fund the 569 replacement public housing units (along with additional leveraged funds) and that additional CDBG Disaster funds will be critical to supporting the other non-public housing units in the new mixed-income communities.

4.3 Master Planning GHA Sites

GHA and the to-be-procured Master Developer will be responsible for securing funds to leverage the public housing units and to pay for the non-public housing units. Typical sources include tax credit equity, private debt, bonds, and, in Galveston, CDBG Disaster funds allocated by the City and the State. Unit mix programs have not yet been finalized for the GHA sites and will be dependent on market studies to quantify the demand for different unit types and price points. Preliminary market studies suggest that the ‘market-rate’ units may need to be subsidized by CDBG Disaster funds which can be utilized for families with incomes up to 80% AMI, and possibly up to 120% AMI. The Round 2 CDBG Disaster funds require income-eligible use restrictions for ten (10) years, at which time the rents/sales prices can respond to improved market demand as the city recovers and rebuilds. Income mixing strategies that have been successful in other parts of the country include 1/3 public housing, generally serving residents below 30% AMI; 1/3 tax credit units serving households between 40-60% AMI; and 1/3 market-rate (unsubsidized) – either rental and/or for-sale, depending on market conditions. Given the current weak housing market in Galveston, the CDBG Disaster funds will play an essential role in providing housing for households above 60% AMI.



Initially the Master Developer will enter into a Predevelopment Agreement (PDA) with GHA and be tasked with preparing a Master Plan for the development of mixed-income communities in and around GHA owned property. Subject to the satisfactory completion of an approved Mixed-Income Communities Master Plan, a Master Development Agreement (MDA) will be negotiated for implementation services. The Agreement will, among other things, delineate the roles and responsibilities of GHA and the Master Developer and the fee structure. The Master Developer will be tasked with completing the Master Plan, completing the environmental review in compliance with all local, state and federal guidelines and completing other pre-development tasks. The Master Developer

will also be responsible for securing funding for the development program, financial closing, construction, lease up and property management.

Throughout the redevelopment of the public housing units in mixed-income communities, the Master Developer will work closely with GHA staff, residents, GHA's consultants, and the City of Galveston and its consultants. The Master Developer will be responsible for ensuring that the final Master Plan is approved, financed, and implemented. The final Master Plan must create the pathway for successful, stable, diverse, safe, attractive and sustainable mixed-income communities. In general, the goal of the Master Plan should be to ensure that all units are produced in a manner that renders the public housing units indistinguishable from those targeted to other income groups.

4.4 Master Developer

GHA is currently in the process of procuring a Master Developer that can provide the necessary expertise to implement the comprehensive redevelopment of between 282 to 479 public housing units in vibrant mixed-income communities on multiple sites. GHA has stipulated that the successful respondent must demonstrate the ability and experience to implement a comprehensive mixed-finance and mixed-income redevelopment plan that may also include mixed-uses, including commercial facilities, and both rental and homeownership units. The successful respondent will be required to be creative in its approach to the redevelopment plan, including households with a range of incomes in viable communities that holistically address the needs of low-income residents by providing supportive services, educational, and economic development opportunities for all ages, health and wellness programs, transportation access, recreational opportunities and commercial investment.

The timeline for procurement of the Master Developer and predevelopment activities includes the following:

Master Developer RFQ Available	March 4, 2011
Pre-proposal Conference	April 1, 2011 at 10:00 am CST
Proposal Due Date	May 3, 2011 by 4:00 pm CST
Conduct interviews and reference checks, due diligence (including site visits, if necessary), and selection of Highest Ranked Respondent	By June 22, 2011
GHA Board Approval to Enter into Negotiations with Highest Ranked Master Developer	June 27, 2011
Begin Negotiations of Predevelopment Agreement and finalize budget for Master Planning Phase	July 1, 2011
Master Developer works with GHA and Galveston community to prepare a detailed Master Plan and Human Capital Plan	August – October 2011 (est)
GHA Board and City approval of Mixed-Income Communities Master Plan	November – December 2011 (est)
Finalize Master Developer Agreement	December 2011 (est)
Master Developer undertakes predevelopment activities for Phase 1 development and finalizes funding	November – December 2011 (est)
Prepare designs, negotiate construction contract, finalize all closing documents	Phase 1 closing by April 2012 (est) Construction start by May 2012 (est)

4.5 Predevelopment Funding Need

To accomplish this Initiative, GHA will need access to Round 1 CDBG funds to either pay for or reimburse GHA for predevelopment and construction activities lead by the Master Developer, particularly master planning efforts lead by the developer this summer.

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