

20 February 2012

Sent via U.S. Mail to:

Texas Department of Housing and Community Affairs  
Director of Housing Tax Credits  
Community Input  
P.O. Box 13941  
Austin TX 78711-3941

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Re: Community Input on Galveston Initiative II, LP

2012-2013 Qualified Allocation Plan and Related Laws and Rules,  
Housing Tax Credit Program

**(13) Community Input other than Quantifiable Community Participation.** The purpose of this scoring item is to allow community and civic organizations active in the area that includes the proposed Development the opportunity to express their support or opposition.

**About Galveston Open Government Project, Inc. (GOGP):**

The GOGP meets the definition of a community organization that is active in the area that includes the proposed Galveston Initiative I, LP. We refer the TDHCA to our website <http://www.GalvestonOGP.org> as documentation of our existence and the work that we are doing, and the attached articles from the local newspaper written by the publisher about our work.

Also attached is a copy of our mission statement. We do not have members, brochures, or annual reports.

On 10 November 2011, the Galveston City Council voted to reject the proposal to use mixed-income development as a method to rebuild Public Housing due to the current extreme oversupply in the local real estate market. The developer must have Low-Income Tax Credits (LITCs) in order to build the units that are in addition to those slated for Public Housing to make it a mixed-income development.

The City has 32,368 total housing units and **12,425 of them are vacant!** That is a whopping **38.4%**

However, 4,754 are classified as “For seasonal, recreational or occasional use”, so they are probably not distressed. A distressed housing unit is one that is vacant AND it is serving no useful purpose for the owner as a second home. This makes it a liability as the owner pays taxes, insurance, maintenance, and often a loan payment, but receives no current benefit.

If these are correctly classified, the number of distressed vacant housing units should be  $12,425 - 4,754 = 7,671$ ! That means that  $7,671 / 32,368 =$  **23.7% of all the housing units in the city are distressed!**

Why does this indicate that there is a crisis in the local real estate market?

If the average value of each distressed unit is \$50,000, the **unproductive capital trapped** in the local economy would be **\$383,550,000!** If the average value of each unit is \$65,180; the trapped capital would total half a Billion dollars!

With the loss of and/or lack of growth in many other local businesses over the last 50 years, residential real estate rentals are a significant factor in the local economy. City government needs to develop a plan to help this industry facilitate a turn around. A coordinated plan aimed at targeted demolition and rehabilitation of existing structures, depending on condition, should be the first order of business; **new construction financed with LITCs is the last thing that is needed!**

Simply **building 529 more Public Housing units** will increase the number of distressed vacant housing units **another 6.9%**, if all of the Public Housing residents are pulled from existing units. Building an **additional 988 housing units** using the **mixed-income** scheme will likely swell the number by **12.8%!**

Galveston County has 15,433 distressed vacant housing units; which means that **the City of Galveston has 49.7% of all of the distressed vacant housing in the County, but only 16.4% of the total population!**

Is there a crisis in the local housing market? This is how this city compares to so-called “dying cities”:

City	% Distressed Vacant Housing Units
<b>Galveston, TX</b>	<b>23.7%</b>
<b>Detroit, MI</b>	<b>22.6%</b>
<b>Flint, MI</b>	<b>20.9%</b>
<b>Cleveland, OH</b>	<b>19.1%</b>
<b>Youngstown, OH</b>	<b>18.8%</b>
<b>Buffalo, NY</b>	<b>15.4%</b>

Source: Census Bureau, 2010 census, Table QT-H1

At the time of the census, there were **3,237 housing units for rent** out of a **total of only 32,368 housing units** in the City! This is very bad news for local landlords, because this glut of available rental units has to be putting tremendous downward pressure on rental income!

The GHA rebuilding plan would add an additional **988 rental units** to an existing inventory of 3,237 units for rent, likely increasing the number of vacant rentals by  $988 / 3,237 = 31\%$ !

As you can see, if the developer is granted any LITCs, the additional units that will be dumped into the local market, in a city with a declining population, and no need for more units, will be devastating to the local economy!

The GOP requests that the TDHCA reject the application for Low-Income Tax Credits needed for the Galveston Initiative II, LP for the reasons outlined above!

Respectively submitted,

David Stanowski  
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