

The Oaks IV

Approval for The Oaks IV redevelopment plan should be denied based on the following:

Legal

1. This plan has not been approved by HUD.
2. HUD will be performing a review to analyze if the redevelopment plan, in total, concentrates poverty north of Broadway.
3. The redevelopment plan is based upon the city's 2005 Consolidated Plan, which includes the city's Assessment of Impediments (AI). In the Texas Appleseed Administrative Complaint it was pointed out that the City of Galveston's AI was substantially inadequate. HUD agreed with the complaint, and has held up the 2nd round of CDBG funding until these issues are resolved.

If there is a problem with any of these issues, GHA will have to go back and revise the redevelopment plan. Therefore it is a waste of this commission's time to review a plan that will, in the highest probability, have to be revised and resubmitted to this commission again. GHA should have the above issues settled, and a Letter of Approval from HUD before coming to this body.

Market Saturation & City Tax-Rolls

28 of the 40 proposed units for The Oaks IV are in the income ranges for people who are employed, or who have some other steady source of income. Using GHA's table, the current mortgage rates, and local insurance and tax information, it can be calculated what the maximum house these 28 client families could afford, if given assistance with down payment and closing costs.

Galveston MLS Jan. 5, 2010 (homes >1200SF, in price range)	118
The Oaks IV – stated need	<u>28</u>
Current Market Surplus	90

It is very apparent that for the stated income ranges there is no need for new housing. In fact, building into an existing surplus will undermine the values of these existing properties by removing demand. Furthermore, the existing surplus and time on market of the listed homes erodes the stability of values of the neighborhood's adjacent properties.

Changing this plan to one that uses existing stock will soak up surplus in the market, and help to stabilize values in the neighborhoods where these properties are located. The use of existing stock will also keep these properties on the city's tax-roll, versus a public housing option where the units would be exempt from city taxes.

Mortgage Calculation & Market Surplus

Income Range	\$19,150	\$31,900	\$38,300	\$51,050	Total
Units	12	12	12	4	28
Median		\$25,000	\$39,000	\$44,000	
30% Payment		\$625	\$975	\$1,100	
TI Multiplier		1.44	1.44	1.44	
PI Available		\$434.03	\$677.08	\$763.89	
Interest		5.36%	5.36%	5.36%	
Mortgage		30 fixed	30 fixed	30 fixed	
Financed Principal		\$75,000.00	\$120,000	\$135,000	
Plus 20% Down		\$18,750.00	\$30,000.00	\$33,750.00	
Total House		\$93,750.00	\$150,000.00	\$168,750.00	
Galveston MLS 1200SF+		17	77	24	118
Market Surplus		5	65	20	90