

HOUSING AUTHORITY

OF THE CITY OF GALVESTON, TEXAS

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Central Office 4700 Broadway

GALVESTON HOUSING AUTHORITY

GHA/HUD/MBS/EJP/GLO

Meeting Notes

Date: **March 29, 2012**; GHA Conference Room

Participants: **GHA:** Mr. Lowe Lowe, Executive Director
Ms. Massey Massey, Chairperson, Board of Commissioners
Deyna Sims-Hobdy, Director, Real Estate Development
Mona Purgason, Deputy Executive Director
HUD: Susan Wilson, Director, Urban Revitalization – HOPE VI Division
Roma Campanile, Public Housing Revitalization Specialist
MBS: Mr. Duffy Duffy, Senior Vice President
Meg Manley, Senior Vice President
EJP: Scott Jepsen, Partner
GLO: Bob Voelker, Munsch Hardt Kopf & Harr P.C., Consultant

Initially, a meeting scheduled with GLO/HUD/GHA on the morning of March 29th. However, GHA learned from HUD staff that GLO preferred to meet with HUD *only*. Therefore, GHA met that afternoon with GLO representative, Bob Voelker, to discuss a plan to move forward with the GLO.

Introductions

- Based on HUD's morning discussion with GLO and their consultants, GHA called Mr. Voelker to offer to meet and review the current financing plan with him. After Mr. Voelker arrived, all participants introduced themselves and their roles.

Bob Voelker Role

- Mr. Voelker explained that his background is as **an attorney currently focusing on Fair Housing issues and as a result, he knows John Henneberger well**. He also explained that he had previously performed as developer of LIHTC units in the state of Texas although not with public housing. In that role, **he had explored acquisition of land on Galveston island to develop using 9% LIHTC and concluded there were no parcels zoned for multi-family housing that were large enough and in high opportunity zones to compete well for a credit allocation**.
- Mr. Voelker explained that he was the one who told GLO that **GHA would be unable to obtain competitive 9% LIHTCs** and therefore **the only plan he has seen is**

infeasible. He said he had not seen a 4% LIHTC plan until what HUD presented this morning. Mr. Duffy expressed frustration that Mr. Voelker hadn't seen anything other than the 9% plan as there have been numerous iterations (called "Plan B") provided to GLO since submitting the original plan that assumed only 4% credits.

- Mr. Voelker stated that his role is to advise GLO of the feasibility of the GHA's financing plan. The group welcomed his participation as it is critical someone representing GLO understands mixed-finance.

Group Discussion

- Mr. Duffy walked Mr. Voelker through the concept of HUD mixed-finance and the details of the 4% LIHTC plan.
- Mr. Voelker said he fully understands the challenge of generating enough capital to support the market rate units and therefore advocated that GHA reduce the number of market rate units and increase the number of affordable/PHA units to generate more equity. His primary concern was that the ratio of non-CDBG funds to market rate units is inequitable and he and GLO want the ratios of the various types of units by affordability to more closely match the ration of funds in the deal. Mr. Lowe explained that the GHA Board has set a goal of no more than 40% PHA and no less than 40% market rate units to avoid building a project all over again and to reinforce the success of the development and surrounding neighborhood.
- It was also discussed that no one in the room was a part of the Conciliation Agreement negotiations and therefore could not say how the amount of money allocated to this effort was determined as adequate at the time the agreement was negotiated. Mr. Duffy discussed that with \$95,000,000 allocated under the Conciliation Agreement, or \$167,000 per unit based upon 569 units, there may not have ever been enough money to replace all units destroyed by the storm, taking into account the post-Ike flood and hurricane code requirements related to rebuilding on Galveston Island. Mr. Voelker wondered whether it was anticipated at the time that the CDBG-DR funds could have been leveraged with tax credits or other, and Mr. Duffy pointed out that at 100% public housing replacement, it was highly unlikely there would be any market for leverage, as public housing units are breakeven and generate no net operating income. Mr. Duffy also noted that if it was intended that the funds be leveraged, there would likely have been language to the effect in the agreement.
- As a result of the discussion, Mr. Voelker and Mr. Duffy concluded that one way to resolve the funding problem would be for the State, via GLO and TDHCA, to set aside \$4 to \$5 million worth of 9% LIHTC allocation over the next 3 – 4 years. This could solve the gap problem and assure all parties that the plan could move forward.

Conclusion

- At the end of the discussion, Mr. Voelker said that he would write up a summary of issues for GLO and provide a copy to GHA. He said he would speak with GLO as well.

- Prior to leaving Mr. Voelker agreed to meet with the group again on Tuesday, April 3 at 1:00 p.m. via phone to keep progress moving pending approval of Jorge Ramirez.
- Mr. Voelker canceled the meeting and shortly thereafter, GHA received the letter dated April 3, 2012 from GLO.