

It's All About the Money!

The Poverty Industry likes to tell everyone that they are in the business of helping the poor; doing good things for the less fortunate. The local Poverty Industry is not just going to build new housing projects to replace those lost in Hurricane Ike; it is going to eliminate poverty on the Island! Quite an ambitious goal!

The problem is; they never seem to have any kind of sensible plan to actually help the poor escape from a life of intergenerational dependency and poverty. Their plans appear to maximize the amount of taxpayers' money that is spent "to help the poor", but they still trap people in poverty from one generation to the next; which doesn't hurt their business.

The local Poverty Industry freely admits that the Galveston housing projects have been an abysmal failure in helping people gain self-reliance and independence, but they have recently "discovered" that the reason for their failure is that they simply used the wrong design for their previous projects, so their latest "solution", mixed-income development, will eliminate the shortcomings that lead to those failures.

The following page is a reproduction of the totals from page 82 of the MBS Development Agreement which shows how much money the latest experiment is going to cost, and where it is going to be spent.

Keep in mind that their original mission was simply to rebuild 569 Public Housing units, which has been reduced to 529 Public Housing units after 40 were built at the Oaks IV.

This Agreement reveals that the 529 Public Housing units will "only" cost **\$217,964.39 each!** However, after the GHA decided it "must" build a mixed-income development, it added another 402 units that are totally unneeded in a local rental market with 3,237 vacant units, at a "very trivial" **additional cost of \$87,621,683! A small price to pay to get the best of the best!**

Mix of Units	Grand Total
Total Units	931
Market	282
TC Only	120
PHU	529

Use of Funds	
Acquisition	\$14,804,220
Construction	\$121,619,625
Soft Costs	\$17,547,750
Insurance	\$4,835,000
Reserves	\$9,534,000
Real Estate Taxes	\$684,000
Developer Fee	\$11,796,000
Human Capital Plan	\$2,358,000
Housing Authority Admin/Consultants	\$9,746,250
Site Remediation	*
Public Improvements	\$10,000,000
Total	\$202,924,845

Sources of Funds	
First Mortgage	\$3,800,000
GHA Insurance Proceeds	\$13,200,000
CDBG Round 1	\$25,000,000
CDBG Round 2 PHA set aside	\$50,000,000
CDBG Round 2 ???? set aside	\$34,100,000
Other/philanthropic	\$9,000,845
Other CDBG (City infrastructure funds)	\$10,000,000
LITC Equity	\$57,824,000
Total	\$202,924,845

<http://www.galvestonogp.org/gha/MBS-Development-Agreement.pdf> (see page 82)

It should be noted that the GHA Redevelopment Plan dated October 19, 2009 “only” wanted to spend **\$155,587.87** per unit, so how did the price go up by **\$62,376.52** per unit? That must be the mixed-income “premium”. That’s what you have to pay to get the best of the best in Public Housing! **\$155,587.87** is just not enough!

Of course, another way to look at it is that the extra **\$62,376.52** is what you have to spend to make sure the Poverty Industry is well fed. We’ll let the reader decide.

Many will ask why the Mayor and his GHA Board want to use mixed-income development to replace the 529 Public Housing units and spend **\$202,924,845** to do so. They need to explain why it couldn’t be done for far less! The fact that taxpayers all over the country will pay these outrageous costs instead of just Galveston taxpayers is NOT a valid reason!

The tables shown above offer some clues as to why Professor Ellickson discovered that the Poverty Industry finds mixed-income development so lucrative!

What are soft costs?

Engineering and architectural fees; plus fees for more consultants. Consultants like the Center to Eliminate Health Disparities at UTMB and Georgia State University, who are being paid to paint a “rosy picture” of mixed-income development even as it violates the Fair Housing Act. These consultants help sell your project to the City Council and the voters. Paying them part of the **\$17,547,750** is money well spent!

MBS will take home a **\$11,796,000 development fee**. Would another developer do it for less? We’ll never know, the GHA has not released the other bids to City Council. Of course, all of the developers who specialize in mixed-income may charge fees this high, because mixed-income is the current honey pot for the Poverty Industry.

As Professor Ellickson said in his study of mixed-income development, *“Financial interests and anti-market ideologies spur much of the support for the production of subsidized housing projects, mixed-income or otherwise. A government program that annually dispenses billions of dollars—whether for the production of ethanol, submarines, or affordable housing—brings into existence constituencies whose members then provide continuing political support for the program. Many housing advocates are connected to organizations whose revenues depend on the continued development of affordable projects.”*

<http://www.galvestonogp.org/GHA/The-False-Promise-Of-The-Mixed-Income-Housing-Project.pdf>

Does this sound like an industry that is primarily focused on helping the poor, or one that is focused on helping itself?

Finally, **\$57,824,000** in equity from Low-Income Tax Credits! Now you can see why LITCs are such a critical part of making this concept work!

In the financial world, it is difficult to tell whether something is over priced or under priced without a benchmark or measure of value. Is **\$202,924,845** too much to spend to replace 529 Public Housing units?

At that price, each of the 529 families who were displaced by Ike could be given a check for **\$217,964.39** and told to find a place to live on their own. With that kind of money, they could pay cash for a house, or rent a place of their choice and bank the rest. Or, maybe it would be more responsible to put the **\$217,964.39** in a trust that paid them so much a month.

On 18 February 2010, the GOP found three apartment buildings for sale on the Mainland, where they are not in a floodplain, and they didn't have to be “Class A” for Public Housing residents, so they ranged in price from only \$21,052 to \$39,900 per unit!

Using the higher figure, this means that the GHA could use the **\$202,924,845** to buy $\$202,924,845 / \$39,990 = 5,074$ **units** for use by the poor, instead of only 529! That's **almost 10 times more** than they want to build in this city!!

<http://www.galvestonogp.org/GHA/LetterArthurMabasa02182010.pdf>

So lets see, the **\$202,924,845** won't be used to give 529 poor families each **\$217,964.39 in cash**, it won't be used to buy each of them a house, and it won't be used to buy **5,074 apartments** on the Mainland where there are better schools, more jobs, less crime and, therefore, better opportunities; but it will be used to build 529 Public Housing units in the worst neighborhoods in the City of Galveston!

Please explain.

This is NOT about helping the poor!

Professor Ellickson's final words,

“Federal, state, and local politicians all have learned that having the power to influence project approvals can provide leverage to raise campaign contributions.

It is hardly news that HUD's project programs have frequently been rocked by scandal.”

<http://www.galvestonogp.org/GHA/The-False-Promise-Of-The-Mixed-Income-Housing-Project.pdf>