

# EXECUTIVE SUMMARY

FFY-09

(GHA FY-10)

FY09 brought many unforeseen challenges to the agency, as well as change in the national administration. A national subprime mortgage crisis not only threatened HUD's goals of raising minority and low-income homeownership, but triggered a global financial crisis. The crises have led to record-level foreclosures and defaults, communities in decline, and an unstable housing market. This, in addition to lack of jobs that pay living wages, has had critical impacts on minorities and low-income households. Locally, Galveston is trying to address housing, economic, and infrastructure needs in the aftermath of Hurricane Ike.

The direction for FFY-09 has changed from the goals initially presented in last year's agency plan, largely due to the effects of Hurricane Ike. GHA's six housing developments suffered damages from the storm. While Holland House and Gulf Breeze were back on-line within four weeks of the storm, Oleander Homes, Magnolia Homes, Palm Terrace and Cedar Terrace remain unoccupied. In addition to the services GHA currently provides to the Low Income Public Housing (LIPH) and the Housing Choice Voucher (HCV) families, GHA is now serving 6,000 additional families who have been displaced by Hurricane Ike through the Disaster Housing Assistance Program (DHAP). This program is ten times GHA's former capacity.

Rebuilding the damaged housing stock of Galveston is essential for the city's recovery. Without places to live, people cannot return to work, pay taxes, frequent local businesses, or send their children to school. Galveston, including GHA, must address unemployment, affordable housing, education, and vulnerable populations in order to rebuild after Hurricane Ike.

During FFY-09, GHA has considered several affordable housing options, as well as, hosted several community participation meetings to seek input in rebuilding public housing. Options 1 through 5 considered options from renovation of public housing sites to constructing 2,155 affordable housing units of various types to meet the affordable housing needs for the next century. These options were presented as a starting point to address the housing needs after Hurricane Ike and to begin strategic neighborhood planning.

Another option evolved as a result of these community participation meetings: to rehabilitate Cedar Terrace and Magnolia Homes for transitional housing, while

demolishing Oleander Homes and Palm Terrace for new construction to meet the affordable housing needs in providing a long-term housing solution. GHA's Board of Commissioners adopted this option during this fiscal year. This option allows Galvestonians to return to the island quickly, while still allowing for the opportunity to build mixed-income neighborhoods to house Galveston's workforce. Currently, GHA is accepting bids for demolition and debris removal for the affected developments.

By August 2009, FY-10, the agency expects that Cedar Terrace will be complete and ready for occupancy. GHA also anticipates revitalizing Magnolia Homes for transitional housing, and demolishing Oleander Homes and Palm Terrace for new construction during this same period.

GHA will also utilize a unique provision of the code of federal regulations, which would allow GHA to use local labor force in development options, which will assist in creating numerous jobs for local families who have been impacted by the aftermath of Hurricane Ike and the subsequent employment lay-offs.

A number of additional new staff was hired at GHA this fiscal year as a result of changing housing needs due to Hurricane Ike. GHA is administering the Disaster Housing Assistance Program (DHAP) to 6,000 families in Galveston County that were displaced after the storm. The agency expects this program to extend well into FY-10 with a total estimated increase of 120 staff members.

During the period this Annual Plan is in effect, the Galveston Housing Authority expects to see notable achievements in a number of outcome measures and local initiatives. GHA will continue its focus on increasing homeownership opportunities for those who aspire to become homeowners. We will see performance improvements in financial management, information technology (IT), and program operations by modernizing and securing IT infrastructure; advancing electronic business management; and fully implementing the Strategic Human Capital Management Plan to produce a high-performance and satisfied workforce.

The demolition of obsolete public housing at Palm Terrace Homes and subsequent HUD approved disposition for 7.27 acres of the 9.29-acre land plot occurred in FY07, ten elderly public housing duplexes were completed on the 2.02-acre plot of land retained by the Galveston Housing Authority and are currently occupied. Twenty-seven homes have been completed on the 7.27 acres disposed to GRACE Corporation; six of these homes have been sold and six more are pending on lender documentation. There is currently a plan to build four additional homes on this acreage. These homes will continue to be targeted for sale to low-to-moderate income citizens of Galveston. We are proposing to increase modernization to 120%. Sales will be financed through Section 8 HCV Homeownership Vouchers, State of Texas reduced interest rate

mortgages, first-time homeowner down payment funds from the City of Galveston's Community Development Block Grant (CDBG) allocation and a forgivable soft-second mortgage carried by GHA. This \$6,600,000 initiative is funded through partnerships: \$1,350,000 in foundation funds; \$1,716,493 in Housing Replacement Funds; \$923,527 City of Galveston; \$38,836 CDBG and \$1,811,031 from GRACE Corporation. An interim construction loan will be retired from sales proceeds.

It was the agency's intention to combine the proceeds from sales of the above homes with future Housing Replacement Funds to leverage a tax credit application in the State of Texas 2009 funding cycle. The above funds were slated to construct a 100 unit mixed income mixed finance assisted living facility on land located on the University of Texas Medical Branch (UTMB) campus. The initiative to partner with UTMB has been suspended due to fiscal challenges due to Hurricane Ike.

Renovations to GHA's Island Community Center have been completed. These renovations included redirection of traffic flow and landscaping on the frontage, repainting and re-carpeting on the inside and updating the learning center. Additional rental revenue has been received through partnership with FEMA who utilized space at the ICC as a Disaster Recovery Center (DRC) after Hurricane Ike.

Prior to the storm, in addition to our regular after-school, GED prep, ABC, full-day summer, life skills and basketball programs, GHA added several new programs including steel-band and chess and continues to partner with other agencies to add new programs to serve our residents. The Resident Services programs focused on EDUCATION, as we have created Safe-Havens at the Magnolia homes and the Oleander homes with dedicated staff members. We also created a Neighborhood Network Center at Cedar Terrace property and implemented a ROSS grant at GHA. We have a dedicated Elderly Services Coordinator serving our elderly at Holland House, Gulf Breeze and other locations. These key programs at all properties and continued commitment from GHA to assist our residents resulted in improved resident services. It is GHA's expectation that once Cedar Terrace is back on-line in FY-10, the above mentioned programs will once again be implemented.

GRACE Corporation has initiated a meeting with the Local Initiatives Support Corporation in regard to development of the frontage of the Island Community Center (LISC) (approximately 4 acres). The objective is to construct rental space to produce funds to use as leverage for affordable housing production. LISC has indicated that grant dollars may be available to help with this initiative. Further possibilities for this development will be completed in FY09.

Having completed the total renovation of Holland House (a 156 unit elderly complex, TX-017-09) in 2006, GHA has commenced Phase I of four phases of major renovation work to Gulf Breeze, a 199 unit elderly complex (TX-017-07). Phase I was completed in January 2008. The remaining phases will be completed in sequence with allocation of modernization funds, which has been decreasing over the years.

GHA completed the installation of a new computer software system and all required training for its use during 2007. The software system, Emphasys-Elite, is fully functional as it relates to meeting HUD's reporting requirements. During 2009, we will continue to provide additional staff training and improve its reporting capabilities. We will upgrade our website functions and streamline our communications using the website.

Senior GHA staff members have attended Asset Management training courses. Commissioners and staff will receive additional training during the Five-Year Plan Annual Retreat. GHA's goal was to be compliant with the asset management financial reporting responsibilities by the required June 30, 2008 deadline; however several intermediate deadlines have been extended by HUD due to technical issues with HUD software. Presently, Asset Management is suspended until GHA replaces units damaged in Hurricane Ike.

Recognizing the importance of accountability as it relates to the continuing success of HUD supported housing programs, GHA has utilized HUD's IT systems including SAGIS, PIC, VMS, REAC, NASS, PHAS and EIV to the fullest. We strongly believe that once these systems are integrated, it will make the housing operations very effective. GHA will investigate HUD supplied Threshold Discrepancy Reports (100% level) during FY09 and resolve income discrepancies. GHA will also conduct interviews with all of its "zero-income" reporting residents and decrease these cases by 50%. We hope to assign a full time staff to maintain Program Integrity.

As with other PHA's around the country, GHA finds that the "block-granting" of Housing Assistance Payments and the continuing assault on administrative fees are having an impact on the ability of GHA to operate effectively for the benefit of residents. Although GHA is authorized 1,213 Housing Choice Vouchers, it can fund approximately 1,100 families, leaving 113 families without assistance. Although our overriding concern is for the fewer number of families we can serve, this also affects our larger community and its homeless issues, SEMAP scores and GHA's ability to attract and retain capable staff. It is interesting to note that at the same time PHA's are tasked with the very worthy goal of locating residents into non-impacted areas (higher income census tracts) of the community (that nearly always have higher rents) the funds to do so have steadily eroded. It appears that the current trend in Congress of allocating insufficient funds to pay market rents for the number of authorized Housing Choice Vouchers is a formula for the failure of a highly successful housing program and that the resulting downward

spiral in the number of families served will continue. In Galveston, where 38% of residents make below \$15,000 a year, this is a serious concern.

The Board of Commissioners and staff of GHA remain dedicated to serving the needs of low to moderate income residents of our community, where the face of poverty is not hidden from sight. Accordingly, we will seek every avenue available to us to improve the quantity and quality of housing for the residents we serve.

Respectfully Submitted

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