

FROM: FAIR HSG ENFORC DIV

TO: JUSTICE

FEB 6. 1997 10:24AM #432 P.01



U.S. Department of Housing and Urban Development
Texas State Office, Southwest
Office of Fair Housing and Equal Opportunity
1600 Throckmorton Street
Post Office Box 2905
Fort Worth, Texas 76113-2905

February 5, 1997

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Marc Cuenod, Chairperson
Housing Authority of the City of Galveston
200 University Boulevard #1011
Galveston, TX 77550

Dear Mr. Cuenod:

SUBJECT: Letter of Findings of Noncompliance
Title VI Compliance Review - Housing Authority of
the City of Galveston, Texas
Case File No.: 06-96-03-002-340

The Southwest Office of Fair Housing and Equal Opportunity has completed a review of: (1) the Federally assisted, Low-Income Public Housing Program (LIHP) administered by the Housing Authority of the City of Galveston, Texas (GHA); and (2) the GRACE Corporation, a non-profit, wholly-owned subsidiary of the GHA. The review was conducted under the authority of Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and the regulations issued thereunder (24 CFR Part 1). Title VI states, "No person in the United States shall, on the ground of race, color or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

The on-site visits to the GHA were conducted April 30 - May 3, May 13-17, and September 18-24, 1996. The areas of review included:

- Admission and Continued Occupancy Policies;
- Tenant Selection and Assignment;
- Siting, Location and Acquisition of Housing;

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Based upon the evidence obtained as a result of our review, the Department makes the following preliminary findings:

- The GHA is a recipient of Federal financial assistance as defined by 24 CFR Part 1.
- The GRACE Corporation, a non-profit, wholly-owned subsidiary of the GHA, is a participant in a program or activity receiving Federal financial assistance as defined by 24 CFR Part 1 and is subject to Title VI and HUD regulations.
- The GHA is in compliance with Title VI of the Civil Rights Act of 1964 and the Title VI Regulation 24 CFR, Part 1, in the following areas:
 - Application Taking and Processing;
 - Tenant Selection and Assignment.

- The GHA and GRACE are in statutory noncompliance with Title VI of the Civil Rights Act of 1964 and the Title VI Regulation at 24 CFR 1.4(a), 1.4(b)(1)(iii), 1.4(b)(2)(i), and 1.4(b)(6)(ii), in the following areas:

- Siting, Location and Acquisition of Housing

24 CFR 1.4(a) states:

No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity to which this Part 1 applies.

24 CFR 1.4(b)(1)(iii) states:

- (1) A recipient . . . may not, directly or through contractual or other arrangements, on the ground of race, color, or national origin:
- (iii) Subject a person to segregation or separate treatment in any matter related to his receipt of housing, accommodations, facilities, services, financial aid, or other benefits under the program or activity

24 CFR 1.4(b)(2)(i) states:

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A recipient, in determining the types of housing, accommodations, facilities, services, financial aid, or other benefits, . . . , or the class of persons to whom, or the situations in which, such housing, accommodations, facilities, services, financial aid, or other benefits will be provided . . . , or the class of persons to be afforded an opportunity to participate . . . , may not, directly or through contractual or other arrangements, utilize criteria or methods of administration which have the effect of subjecting persons to discrimination because of their race, color, or national origin, or have the effect of defeating or substantially impairing accomplishment of the objectives of the program or activity as respect to persons of a particular race, color, or national origin.

24 CFR 1.4(b)(6)(ii) states:

Where previous discriminatory practice or usage tends, on the ground of race, color, or national origin, to exclude individuals from participation in, to deny them the benefits of, or to subject them to discrimination under any program or activity to which this Part 1 applies, the applicant or recipient has an obligation to take reasonable action to remove or overcome the consequences of the prior discriminatory practice or usage, and to accomplish the purpose of the Act.

This finding of noncompliance with Title VI of the Civil Rights Act of 1964 and Title VI Regulations, 24 CFR 1.4(a), 1.4(b)(1)(iii), 1.4(b)(2)(i), and 1.4(b)(6)(ii), is based on the following:

The four (4) non-elderly GHA developments were originally developed for occupancy on a racial/ethnic basis. The sites are identified as follows:

TX17-1	Oleander Homes, opened April 1943 for Whites
TX17-2/6	Palm Terrace, opened April 1943 for Blacks
TX17-3	Magnolia Homes, opened December 1953 for Hispanics
TX17-4/5	Cedar Terrace, opened December 1953 for Blacks

Although these sites were developed prior to passage of the 1964 Civil Rights Act under a system of "de jure" segregation,

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subsequent to the passage of the 1964 Civil Rights Act (42 U.S.C. 2000d et seq.), the GHA had, and continues to have, an obligation to take reasonable action to remove or overcome the consequences of that previous segregation. Each of these sites presently is located in predominately minority areas and occupied predominately by minorities.

According to racial composition and occupancy data supplied by the GHA's Deputy Director Ellen Scarlett in October of 1996: Oleander Homes has 456 units occupied by 348 Black families (76%) and 99 Hispanic families (22%); Palm Terrace has 712 units occupied by 669 Black families (94%) and 42 Hispanic families (6%); Magnolia Homes has 442 units occupied by 340 Black families (76%) and 99 Hispanic families (22%); Cedar Terrace has 185 units occupied by 179 Black families (97%) and 5 Hispanic families (2.5%); GHA's pattern of segregated housing is continuing with the recent construction of 18 units of housing at the Hoskins Square Hope I Homeownership development, which is also located in a minority area. The GHA has also constructed 5 homeownership units at Ferry Road (non-minority area) and 2 units on Beards Lane (non-minority area).¹

The GHA has an obligation under the replacement housing program to provide 48 units of replacement housing. The GHA, within the last few years, purchased properties which could provide housing opportunities to a substantial number of GHA tenants and applicants outside of the predominately minority areas of Galveston. The GHA purchased Port Holiday, a 240 unit apartment complex; Campeche Cove, 9 acres of undeveloped land, and the properties at Ferry Road and Beards Lane. Port Holiday is located in a racially mixed area in Census Tracts 1231, which is 36% minority, and 1232, which is 54% minority. At the time that the GHA purchased Port Holiday, there were only 15 Black families living in the development. As of January 9, 1997, of the 165 occupied units, 101 units are occupied by Black families.² Port Holiday is a valuable resource for minority families wanting to live outside areas of minority concentration, as demonstrated by the number of such families that have recently moved into the building. Campeche Cove is located in a predominately White area in Census Tract 1250 01, which is 20%

¹However, these 7 units alone make little progress towards achieving a desegregated housing program in light of the large number of segregated units in Oleander Homes, Palm Terrace, Magnolia Homes and Cedar Terrace.

²of the 240 units in Port Holiday must be rented to low or moderate income families. Currently 37 units are occupied by participants from the GHA's Section 8 program.

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minority. Ferry Road and Heards Lane are also located in predominately non-minority census tracts.

Except for Port Holiday and the seven homeownership units at Ferry Road and Heards Lane, all of GHA's family developments and properties are located in predominately minority neighborhoods. GHA's continued practice of locating sites in predominately minority areas serves to subject LIPE non-elderly residents and applicants to segregated housing. Because the GHA waiting list is predominately Black and the non-elderly tenants of GHA are predominately Black, the effect of this practice is to segregate Blacks into Black areas of the City.

The evidence gathered as part of this compliance review indicates that during the last year, GHA/GRACE has engaged in an active effort to sell properties located in non-minority areas of Galveston. During the GHA Board of Commissioners' meeting on January 7, 1997, GHA/GRACE agreed to sell the Port Holiday development and the vacant land at Campeche Cove. In addition, minutes from an October 23, 1995 GHA Board Meeting revealed that the Board had also considered the sale of the property at Ferry Road. GRACE previously had contracted to sell Campeche Cove but postponed that sale during HUD's investigation. The sale of Campeche Cove would leave the GHA with no property on which to develop the remainder of the 48 units of replacement housing it is required to build, much less any additional housing.

Because Galveston is an island, there is a limited amount of land available for development. Mayor Crews admitted during the course of the investigation that there is a lack of developable land in Galveston. Interviews conducted, as well as documents and other evidence obtained during the course of the investigation, demonstrate that members of the Board of Commissioners stated that the Port Holiday, Campeche Cove and Ferry Road sites were inappropriate for public housing, despite the fact that these locations could provide desegregative housing opportunities for minority families.

GHA's and GRACE's management and methods of administration have greatly limited the ability of minority applicants and tenants to obtain opportunities to reside in nonsegregated public housing. Further, at Ferry Road and Heards Lane, the compliance review did not establish any evidence of GHA or GRACE action to remove or overcome the consequences of the prior discriminatory practices. In this regard, the failure of GHA and GRACE to provide housing opportunities outside minority impacted areas and their recent efforts to sell projects and

³GRACE's Board of Directors is comprised of the GHA's Board of Commissioners.

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parcels of property outside such areas substantially impairs their ability to provide public housing in a manner which is consistent with the objectives of Title VI and HUD's implementing regulations.

As a result, the GHA's and the GRACE Corporation's actions to sell properties located in predominately non-minority areas of the City of Galveston appear to violate Title VI of the Civil Rights Act of 1964 and HUD's Title VI implementing regulations at 24 CFR 1.4(a), 1.4(b)(1)(iii), 1.4(b)(2)(i), and 1.4(6)(ii).

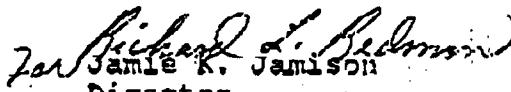
Within ten (10) days of receipt of this letter, the GHA and GRACE must contact me to negotiate the terms of an agreement to resolve these findings. This agreement must be executed by all parties within thirty (30) days of receipt of this letter. The GHA and GRACE have the right to present any documentary evidence which demonstrates that the Department's findings are factually incorrect or incomplete. They may also provide the Department with any evidence they feel may show that they have already taken corrective actions to resolve the issues contained in this letter.

In the interim, in view of the serious nature of these findings of discrimination, neither the GHA nor the GRACE Corporation should take any further actions to sell or otherwise convey Fort Holiday and/or Campeche Cove. These actions could be construed as an act of bad faith on the part of either the GHA or GRACE.

Under the Freedom of Information Act, it may be necessary to release this document and related correspondence and records upon a third party's request. In the event that HUD receives such a request, we will protect, to the extent provided by law, personal information which, if released, would constitute an unwarranted invasion of privacy.

We appreciate your cooperation in this review. Should you have any questions or require additional information, please contact me at (817) 978-9271.

Sincerely,


Jamie K. Jamison
Director
Program Operations and
Compliance Center

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