

DRAFT

**Housing Galveston's Future
Second Report -- Prepared for the Galveston Housing Authority**



*By
Deirdre Oakley and Erin Ruel
Georgia State University*

November 2011

Contact: Deirdre Oakley, Associate Professor, Sociology; email: doakley1@gsu.edu; phone: 404-413-6511. Erin Ruel, Associate Professor, Sociology; email: eruel@gsu.edu; phone: 404-413-6530.

All photograph in this report were taken by Deirdre Oakley

Executive Summary



On November 10, 2011 the Galveston City Council voted against the Galveston Housing Authority's (GHA) plan to rebuild the 569 public housing units destroyed by Hurricane Ike in 2008. This is the second plan the GHA submitted to the Council (the first was approved in 2010). The second plan addressed the ongoing concern about poverty reconcentration by proposing the implementation of a mixed-income design – one based on the Nationally-acclaimed *Atlanta Model*. The Master Plan released by the GHA to the Council prior to the November 10th meeting, rebuilding would take the form of a 40-20-40 ratio of mixed-income, tax-credit and public housing units at each site with a total of 282 public housing units throughout the mixed-income developments. Another 40 units have already been rebuilt at Oaks IV, and the housing authority has plans to develop 50 scattered sites. According to a November 10, 2011 *Galveston County Daily News* article, the final 100 public housing units could be built in a universal design building the GHA would have to acquire.

Although it is unclear what will happen next, under the consent decree the GHA is an entity independent of the city so it is possible that rebuilding will begin as planned in July 2012. Thus, in the meantime, it is instructive to further examine the validity of opponents' ongoing concerns about rebuilding. This report provides in-depth analyses of the three major concerns that have persisted despite revisions to the rebuilding plan. Concerns addressed include: (1) the geographic distribution of *all* low income subsidized housing across the Island and mainland; (2) the potential negative impact of rebuilding on the Island's rental housing; and (3) the potential negative impact of rebuilding on the GISD.

We find little evidence to support any of these concerns.

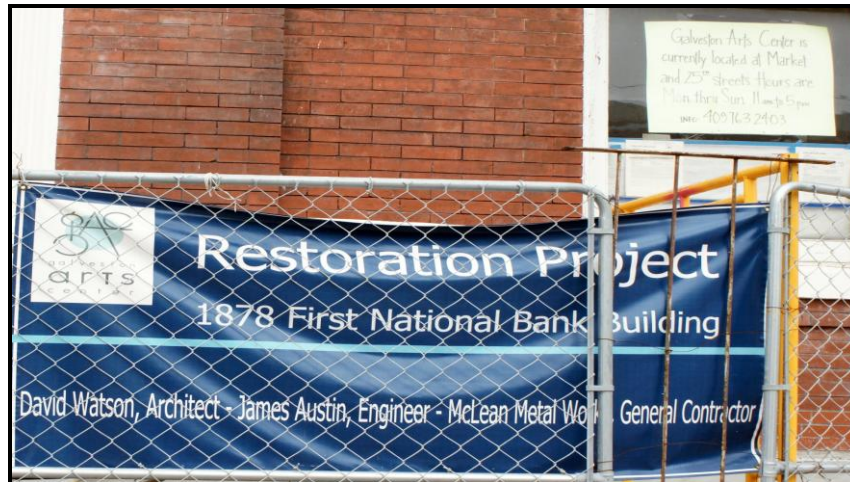
- Much of the debate surrounding rebuilding largely hinges upon the argument that the Island has the majority of low income subsidized housing in the county. Our findings reveal that this is not the case. Specifically, we find that the mainland has just over 53 percent of all such housing in the county compared to the Island's 46 percent. This differential is even more pronounced for non-public housing authority subsidized housing with the mainland having 80 percent compared to the Island's 20 percent. In terms of GHA subsidized housing the proportions reverse, but not by as much as critics seem to

imply. Specifically, while the Island has 62 percent of this housing, the mainland has 38 percent, which is a sizeable portion.

- One of the widely-held misconceptions among opponents has been that all of the displaced public housing residents ended up on the mainland. This is not the case. In fact, 64 percent of the residents have remained on the Island in subsidized private market rental housing through the Disaster Housing Assistance Program (DHAP).
- The contention that there are 7,000 vacant rental units *fit for occupancy* on the Island is a *myth*. In reality there are about 2,500 and of those it is unclear how many are in actuality substandard. The fact that rental prices have increased post-Ike suggests that this housing may not meet the needs of those that can afford market rate rentals. It also suggests a demand for quality market rate rental housing that rebuilding would supply. Likely renters would be University of Texas Medical Branch (UTMB) students, younger working and middle class families, or retirees who would rather live in an apartment than a single family dwelling.
- Galveston is not expending more resources than the mainland school districts to educate its students (include disadvantaged ones), and the student success rate is not sufficiently different from the mainland to suggest an overwhelming burden on the GISD. In addition, the City of Galveston is a Chapter 41 place, meaning it is considered a wealthy community. Lastly, GISD has always had a large disadvantaged student population – a population it has been able to accommodate without compromising its budget. Thus, our assessment suggests that rebuilding within a mixed-income framework will not have a negative impact on the GISD, nor the taxpayers of Galveston.

We conclude that implementing a mixed-income rebuilding plan can only help the City of Galveston become economically healthy and sustainable. The mixed income design will negate the possibility of poverty reconcentration. The mixture of on-site and scatter-site housing will increase the income mix of Galveston's neighborhoods. The selection of where to build the scatter-site housing will help mitigate the substandard rental housing currently on the Island. Lastly, there is clearly a demand for quality, centrally-located market rate rental housing. Rebuilding with a mix of market rate housing has the potential to increase in-migration of middle class households. In-migration will have a multiplier effect of bolstering the city's economic sustainability *without* marginalizing the very important low-income worker population of the city. Because Galveston depends on the tourist industry, housing this population is crucial.

Introduction



On November 10, 2011 the Galveston City Council voted against the Galveston Housing Authority's (GHA) plan to rebuild the 569 public housing units destroyed by Hurricane Ike in 2008. This is the second plan the GHA submitted to the Council (the first was approved in 2010) and it addressed the ongoing concern about poverty reconcentration by proposing the implementation of a mixed-income design – one based on the Nationally-acclaimed *Atlanta Model*. The Master Plan released by the GHA to the Council prior to the November 10th meeting, rebuilding would take the form of a 40-20-40 ratio of mixed-income, tax-credit and public housing units at each site with a total of 282 public housing units throughout the mixed-income developments. Another 40 units have already been rebuilt at Oaks IV, and the housing authority has plans to develop 50 scattered sites. According an November 10, 2011 *Galveston County Daily News* article, the final 100 public housing units could be built in a universal design building the housing authority would have to acquire.

While innovative, this plan (like the original one) has been met with persistent opposition. Of particular concern is the contention that the Island already has the lion's share of low income subsidized housing and rebuilding – regardless of a mixed-income design – will not only attract more poor people but compromise the housing market. There are also concerns about how rebuilding will impact the Galveston Independent School District (GISD). While opponents favor a county-wide rebuilding effort, the city does not have jurisdiction over the mainland so such a plan is unrealistic.

Although it is unclear what will happen next, under the consent decree the GHA is an entity independent of the city so it is possible that rebuilding will begin as planned in July 2012. Thus, in the meantime, it is instructive to further examine the validity of opponents' ongoing concerns. This report provides in-depth analyses of the three major concerns that have persisted despite revisions to the rebuilding plan. These include: (1) the geographic distribution of low income subsidized housing across the Island and mainland; (2) the potential negative impact of rebuilding on the Island's rental housing; and (3) the potential negative impact of rebuilding on the GISD.

1. The Geographical Distribution of Subsidized Housing



Much of the debate surrounding the rebuilding public housing in the City of Galveston hinges upon the argument that the Island has the majority of this type of housing in the county. In other words, the contention is that the Island is overburdened with low income subsidized housing and that plans for rebuilding should be county-wide. However, a number of other subsidized housing programs besides public housing and tenant-based vouchers are also present that are not under the auspices of the GHA. In addition, there are a number of tenant-based voucher units on the mainland administered by other local public housing authorities. Aside from these tenant-based vouchers (Housing Choice Vouchers or HCV), other types of subsidized housing include Low Income Housing Tax Credit developments (LIHTC) and project-based Section 8 Multifamily apartment complexes. The majority of the LIHTC and Multifamily units are owned and operated by private real estate entities.

Therefore, in order to provide a more comprehensive assessment of the spatial organization of subsidized low income housing, in this analysis we utilize administrative data, not only from the GHA but from the U.S. Department of Housing and Urban Development's (HUD) recently updated "Picture of Subsidized Housing" database. This database provides information on all types of low income subsidized housing, including developments owned and operated by private entities. Like our analysis in our initial report (*Housing Galveston's Future: Interim*), this expanded examination will be conducted at the census tract level and include the average demographic and neighborhood characteristics (using updated Census information) for each type of subsidized housing. Our overall objective is to examination the spatial distribution of all low income subsidized housing units in tandem, and then individually, to determine whether or not the Island is currently overburdened.

1.1. The Overall Subsidized Housing Picture

Table 1 provides an overall breakdown of subsidized housing across the mainland and the Island, as well as the number and percentage of these units that are administered by the GHA compared to those that are not. Contrary to concerns, findings reveal that the mainland has just over 53 percent of all subsidized housing in the county compared to the Island's 46 percent. This differential is even more pronounced for non-GHA subsidized housing with the mainland having

80 percent compared to the Island’s 20 percent. In terms of GHA subsidized housing the proportions reverse, but not by as much as opponents seem to imply. Specifically, while the Island has 62 percent of this housing, the mainland has 38 percent, which is a sizeable portion.

Table 1. Total Subsidized Housing

	County--Mainland		City--Island	
	Total	Percent	Total	Percent
All Subsidized Housing Units	3145	53.36	2727	46.4
GHA Subsidized Housing	1351	38	2226	62
Non-GHA Subsidized Housing	2014	80.01	501	19.92

Source: HUD Picture of Subsidized Housing

Since the GHA services the City of Galveston and not the county, it should not be a surprise that this organization administered more subsidized housing on the Island than the mainland. However, situating this within the broader context of all subsidized housing in the county, clearly demonstrates that the Island is not overburdened. In addition, the fact that 38 percent of the subsidized housing on the mainland is administered by the GHA suggests that current GHA strategies to mitigate poverty deconcentration show promise.

1.2. The Individual Subsidized Housing Picture

Another concern has been where the different types of this housing are located throughout the county. Critics of the various rebuilding plans – even the latest mixed-income, scatter-site model – have expressed concerns that the Island has the lion’s share of *public housing*. Public housing (Section 9) consists of fixed, project-based low income units. In this sense public housing in its traditional design is very similar to LIHTC and Project-based Section 8 Multifamily complexes. Yet while public housing is administered by public housing authorities, these other types of project-based complexes are typically administered and owned by private real estate companies. Because of the location, design, and the overall housing quality, these privately-owned complexes are frequently mistaken for public housing. Yet, the current GHA plan for mixed-income, scatter-site replacement housing for the 569 units of traditional public housing will not be mistaken for these privately-owned developments. At the same time, it is important to examine the distribution and neighborhood characteristics of these private complexes across the county. Table 2 provides this information and Map 1 a visual illustration.

Table 2. Privately-Managed Subsidized Housing and Average Census Tract Characteristics*

	County—Mainland	City—Island
Number of Units	1086	501
Total Population	4504	2043
Percent Poverty	15.64	20.61
Percent Unemployment	7.9	9.11
Percent White	54.35	39.07
Percent Black	20.76	22.01
Percent Hispanic	21.66	36.54
Percent Vacancy	13.09	28.51
Percent Rent	25.51	43.44

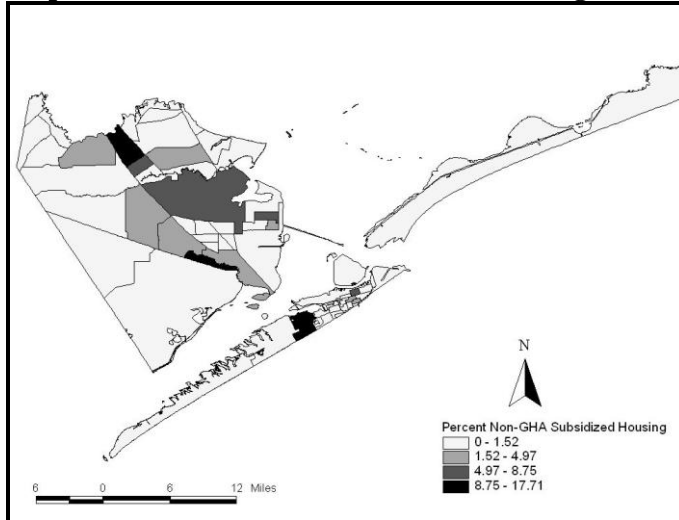
Table 2. Con't

	County—Mainland	City—Island
Percent Own	61.41	28.05
Percent Female-Headed	31.65	47.56
Percent Moved in Last Five Years	18.87	28.56

Sources: HUD Picture of Subsidized Housing; American Community Survey 2005-2009 Estimates.

*Privately managed include subsidized housing such as the Low Income Housing Tax Credit (LIHTC) program as well as Project-Based Section 8 Multifamily dwellings. Neither type of housing is under the auspices of any local Public Housing Authority.

Map 1. Percent Non-GHA Subsidized Housing*



*It is not clear from the HUD data, but one of the LIHTC programs on the Island was destroyed by Ike.

The Island has less than half as much of this type of housing than the mainland and the poverty levels are only modestly different with the mainland having five percent less. While other average census characteristics differ, this appears to be more of a reflection of the county and city-wide differences rather than this type of subsidized housing (*For details see our initial report -- Housing Galveston's Future: Interim*).

Table 3 shows the dispersion of Post-Ike HCV housing across the entire county, and Map 2 provides a visual. While HCV housing is administered by public housing authorities, it is important to note that GHA is not the only such authorities in the county. In fact, of the 1794 units on the mainland, the GHA administers less than half (46 percent). Of all the HCV units in the county, the GHA administers 43 percent. This further supports our contention that the Island is not overburdened with subsidized housing.

Table 3. Housing Choice Voucher (HCV) Units and Average Census Tract Characteristics

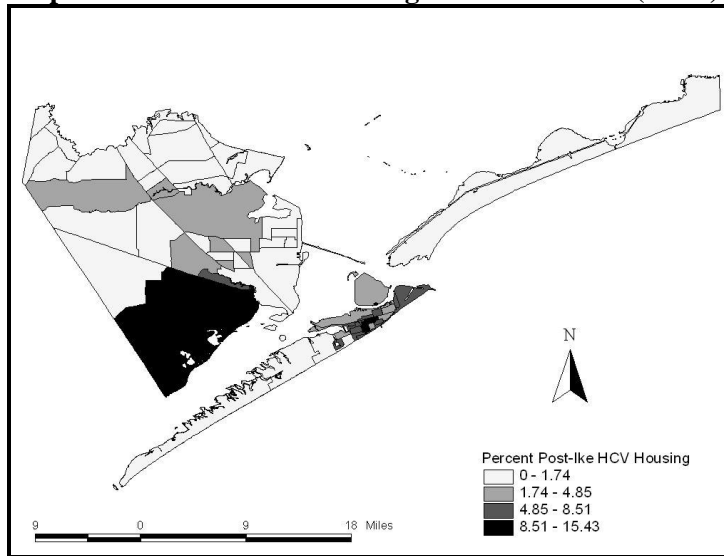
	County -- Mainland	City--Island
Number of Units*	1794	1296
Total Population	2996	2226
Percent Poverty	19.24	23.62
Percent Unemployment	9.73	9.05
Percent White	43.63	42.48
Percent Black	34.97	22.18

Table 3. Con't

	County -- Mainland	City--Island
Percent Hispanic	19.28	31.08
Percent Vacancy	14.97	24.58
Percent Rent	28.31	37.49
Percent Own	56.72	37.49
Percent Female-Headed	37.04	42.11
Percent Moved in Last Five Years	20.78	25.47

Sources: GHA; HUD Picture of Subsidized Housing; and American Community Survey 2005-2009 Estimates.

Map 2. Percent Post Ike Housing Choice Voucher (HCV) Units



In terms of the average census characteristics, unlike the privately-owned subsidized housing, the HCV neighborhoods are the mainland and the Island are similar – with the exception of levels of vacancy, homeownership and female-headed households (all of which are greater on the mainland). What this suggests is that voucher holders on the Island are not necessarily in worse neighborhoods than those on the mainland.

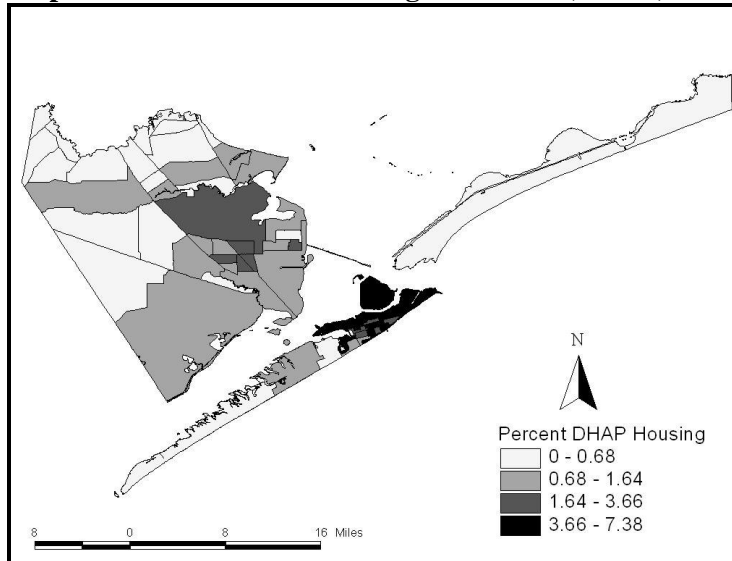
Post-Ike the majority of the residents displaced from public housing on the Island became eligible and received a DHAP voucher subsidy to private-market rental housing. One of the widely-held misconceptions among the critics of rebuilding was that all of these residents ended up in DHAP housing on the mainland. In our initial report we demonstrated that this certainly was not the case. In fact, 64 percent (936 of the 1,461 units) of the residents remained on the Island in DHAP housing. Table 4 illustrated this and Map 3 shows the visual. One way of looking at this is that there will not be an influx of former Island public housing residents due to rebuilding. They are already on the Island. A second way of looking at this is that NOT rebuilding presents a potential strain on an already compromised affordable private rental housing market.

Table 4. Disaster Housing Assistance (DHAP) Units and Average Census Tract Characteristics

	County — Mainland	City—Island
Number of Units	525	936
Total Population	4654	2523
Percent Poverty	17.93	23.72
Percent Unemployment	9.48	8.97
Percent White	45.93	43.18
Percent Black	26.96	22.06
Percent Hispanic	24.73	30.35
Percent Vacancy	15.69	24.51
Percent Rent	28.94	38.89
Percent Own	55.46	36.6
Percent Female-Headed	32.71	43.31
Percent Moved in Last Five Years	17.88	26.07

Sources: GHA (as of 2010); American Community Survey 2005-2009 Estimates.

Map 3. Percent Disaster Housing Assistance (DHAP) Units



Similar to the HCV housing, neighborhood characteristics are quite similar between the mainland and the Island – with the exception of levels of vacancy, homeownership and female-headed households (all of which are greater on the mainland). Like voucher holders, what this suggests, is that DHAP-assisted households on the Island are not necessarily in worse neighborhoods than those on the mainland.

1.3. Discussion

In sum, there is little evidence to support the contention that the Island is already overburdened with low income subsidized housing and that the rebuilding of the 569 public housing units will further exacerbate the situation. Additionally, the GHA administers 46 percent of the HCV housing on the mainland suggesting a pattern of dispersion rather than concentration.

2. Galveston Island Rental Housing Vacancy Rate



Another concern among rebuilding opponents concerns the estimate that there are currently 7,000 vacant rental housing units that are fit for occupancy on the Island. The argument here is that with an already high vacancy rate, building more rental housing will not only compromise the housing market but will lead to an over-saturation of rental units. The purpose of this section of the report is to provide an analysis of vacancy. To conduct this analysis, we use recently released American Community Survey (ACS) data, Census data from previous years, as well as comprehensive analysis of the Housing Market Study (HSM) produced by CDM for the city in 2010.

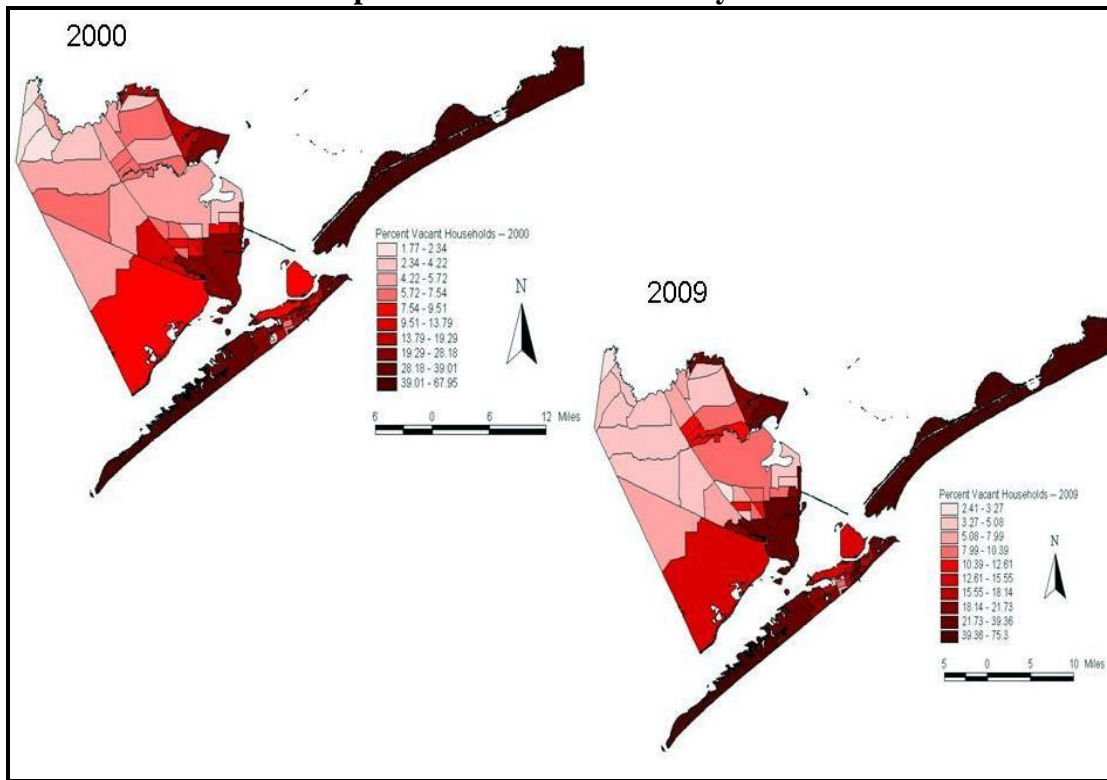
2.1. Galveston City and County Vacancy Rates

According to our analysis of the ACS data, the Island's vacancy rate is 29 percent, compared to the mainland's 12 percent. In 2000, the Island's vacancy rate was 21.03 percent, and the mainland's 8.62 percent. In 1990, the Island's vacancy rate was 24 percent, and the mainland's almost 11 percent. Not long after Ike hit Galveston, the entire nation suffered an economic crisis, largely centered on housing speculation. This has been a crisis that many experts argue is the worst since the Great Depression. Given these facts (including Ike), as well as the trends for Galveston County as a whole, the city's vacancy rate is about what should be expected. Just to put this in perspective, the City of Atlanta's estimated 2010 vacancy rate is 28 percent – up from 17 percent in 2000. That's an 11 percent increase, compared to Galveston's increase of about eight percent. But Atlanta was not the site of a severe natural disaster like Galveston. It was instead a city that took a huge hit by the economic crisis because of housing speculation and pervasive mortgage fraud.

2.2. Spatial Patterns of Galveston City and County Vacancy Rates

While vacancy has increased in the city – and since 2000 in the county as well – it is important to take into consideration the spatial patterns of these rates. You can see from Map 4 that the overall census tract patterns of vacancy rates for the Island and the mainland are quite similar. Such similarities point to zoning and other land use issues that may have nothing to do with the availability of viable housing stock.

Map 4. 2000 and 2009 Vacancy Rates



2.3. Analysis of the 7,000 Vacant Housing Units “Myth” in the City of Galveston

As of 2010, the city had 12,704 occupied rental units, and according to official figures, the rental vacancy rate was about 17 percent. Yet, because of Ike, it is unclear how many of these vacant units are fit for occupancy. In fact, the CDM study commissioned by the city clearly demonstrates that many vacant properties have no housing structures on them, while others are boarded up, and many more are not up to code. Therefore, the available and livable housing supply for renters, in particular, is limited.

To be sure, the CDM study found 5,256 vacant land parcels. But land parcels *do not* necessarily translate into vacant housing units. Land parcels can include one or many housing units. In addition, many of these parcels do not even have housing units on them, nor are they zoned residential. Of all the vacant parcels 713 are classified as vacant lots. Another 1,033 residential parcels are classified as abandoned; and 177 are classified as boarded up, but maintained per city building codes. A survey conducted by city inspectors found an additional 2,061 problematic residential properties. But it is unclear how many of these may be occupied on an “informal” -- and not necessarily -- legal basis. Public entities own about 170 vacant parcels, 118 of which are located in or near the city’s central business district. Of the 170 parcels, the city owns 82, and 42 are centrally located.

The rental rate is far more important in terms of the GHA’s rebuilding plan because (a) most public housing residents were not home owners; and (2) potential market rate renters in the new

mixed income develops will likely be UTMB students, younger working and middle class families, or retirees who prefer to live in an apartment rather than a single family dwelling.

Despite this 2,590 rental unit vacancy, the CDM Study finds that rents have increased by 13 percent since Ike. This suggests something similar to post-Katrina New Orleans whereby the number of fit-for-residence rental units decreased dramatically and therefore rents prices for those that were fit for living increase. This is typical supply-demand economics. Therefore, it is very probable that the demand for *affordable and quality* rental housing on the Island far out strips the viable supply.

It is also important to consider that there are approximately 3,000 households who remain on the Island in need of rental assistance. They are paying well over 30 percent of their income on housing and therefore are very vulnerable to ‘shelter poverty’; living in substandard conditions with no needed support mechanisms; residential instability; and even homelessness.

2.3.Discussion

The contention that there are 7,000 vacant rental units fit for occupancy on the Island is a myth. In reality there are about 2,500 and of those it is unclear how many are in actuality substandard. The fact that rental prices have increased suggests that this housing may not meet the needs of those that can afford market rate rentals. It also suggests a need for quality market rate rental housing that rebuilding would supply.

3. The Impact of Rebuilding on the City of Galveston’s School District



In the October 28, 2010 Galveston City Council Meeting, Council member Rusty Legg expressed some concern over would impact the Galveston’s Independent School District (GISD). More recently Norman Pappous, a GISD Board of Trustee member, asked his fellow board members to approve a \$250,000 legal fund to sue the state and two fair-housing advocacy groups over the Conciliation Agreement. Mr. Pappous argues that rebuilding will strain the GISD’s finances because low income children cost more to educate on a per student basis.

In this section we take up the task of examining the GISD from the 2005-2006 school year—prior to Hurricane Ike—to the present. We compare GISD to the La Marque and Texas City school districts. We also assess the educational outcomes of the students, changing student demographics, and resources available. Lastly we examine tax and budget issues to determine if Galveston residents will experience any negative economic impact related to rebuilding. Data for this report come from the Texas Education Agency and GISD.

3.1 Structural and Contextual Factors Affecting GISD

There are several structural factors affecting the GISD. The first concerns shifts in homeownership and Island demographics. In a report prepared by Pasa Demographics, Pat Gusemen found that new homes being built on the Island are summer homes and that families, particularly middle class ones, are leaving the Island while retirement age persons are moving in. Guseman calls this the ‘Hamptonization’ of Galveston by older couples. As a result, GISD should expect to lose more than 1,400 students by 2016. Guseman attributes these changes to lower birth rates, lack of local jobs, and rising housing costs (*Galveston County Daily News*, 5/7/2007). This is confirmed by former Mayor Barbara Crews who has noted that middle class families are leaving the Island as housing on the Island has become too expensive, and their housing money can purchase larger, better quality homes on the mainland (*Galveston County Daily News*, 2/22/2007).

Further confirmation of the Hamptonization of Galveston comes from the rating in 2006 of Galveston as a Chapter 41 community. Chapter 41 of the Texas Education Code distributes local tax revenues more equitably across the entire state’s school districts. It does this by designating some school districts as either property wealthy or property poor districts. The relative wealth of the school district is measured in terms of the taxable value of property that lies within the school district borders divided by the number of students in weighted average daily attendance (WADA). This provision is often called the "share the wealth" or "Robin Hood" plan because districts that are deemed to be property wealthy are required to share their wealth with property-poor school districts. Due to Galveston’s Chapter 41 status, 25 percent of taxable property revenue goes to the state of Texas to be distributed to resource poor school districts. Concurrently, 70 percent of Galveston’s students are eligible for free or reduced lunches, a federal program to help disadvantaged students. This suggests a serious economic polarization of Galveston’s community. Furthermore, the increase in wealthy part-time residents is having a serious impact on the viability of GISD.

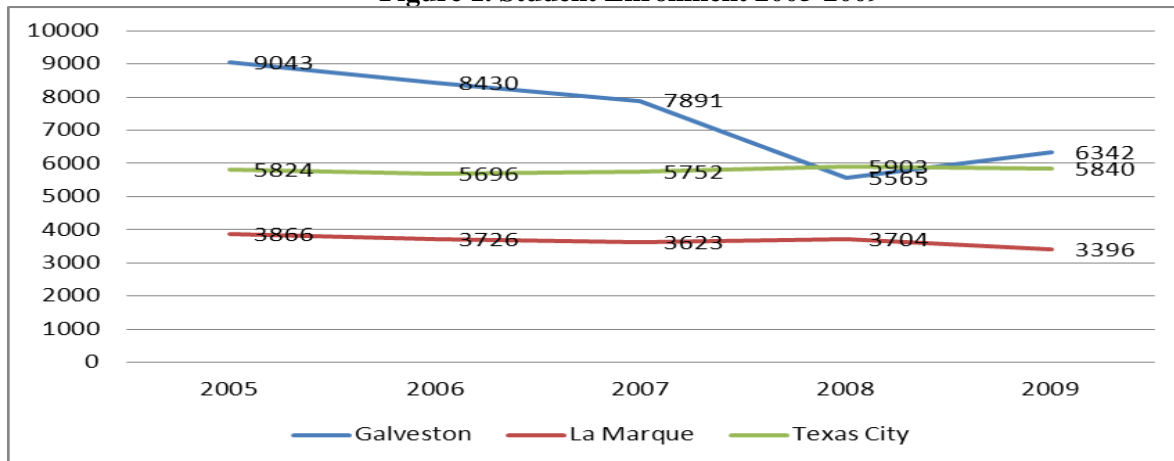
Finally two major external events have had a devastating impact on GISD. First, of course is Hurricane Ike. It severely damaged three schools; two of which were repaired and are functional again through FEMA funding. The school district lost over 2,000 students in the immediate aftermath of Ike. But many of those students have already returned. Secondly, the U.S.’s major recession and the housing market debacle of the last few years have had serious and detrimental effects on state budgets. States have had to initially ask for money back from almost all funded programs including school districts, and have reduced funding provided in subsequent years. GISD currently has a deficit of \$7 million due to what’s happening with funding decisions in the Texas State legislature.

3.2 Enrollment, Socioeconomic, and Demographic Trends

We start with Figure 1, which presents a look at GISD enrollment rates from 2005 to the present compared to the La Marque and Texas City school districts. In 2005, GISD enrolled 9,043 students. GISD lost 613 students between 2005 and 2006 and another 539 students by 2007. The major loss of 2,326 students takes place between 2007 and 2008 due to Hurricane Ike. GISD bounces back after Hurricane Ike with an increase in enrollment to 6,342. While one school remains damaged due to Hurricane Ike, GISD clearly has capacity educate additional students.

La Marque shows a very slowly declining student enrollment rate until the 2009-2010 school year when they lost 3,000 students. Texas City shows a very stable student enrollment rate over these years. Galveston, by contrast shows much greater student enrollment in the 2005 and 2006 school years, but with subsequent declining enrollment rates.

Figure 1. Student Enrollment 2005-2009



While student enrollment is declining for students in general, the racial composition of the GISD has changed substantially since 2005. Figure 2 illustrates this compared to the other school districts. There has been a drop in African American and white students and over a 10 percent increase in the proportion of Hispanic students. Compared to the state of Texas, GISD has twice as many African American students, and by 2009 has approximately the same proportion of Hispanic students and slightly less white students. Asians and other races make up about three percent of GISD, but a much larger proportion of the State's demographic composition. La Marque, by contrast, has a very large African American student population -- about 70 percent. Texas City has about equal amounts of Hispanic and white students and the least proportion black compared to GISD and La Marque.

Figure 2. Racial Composition of the School Districts

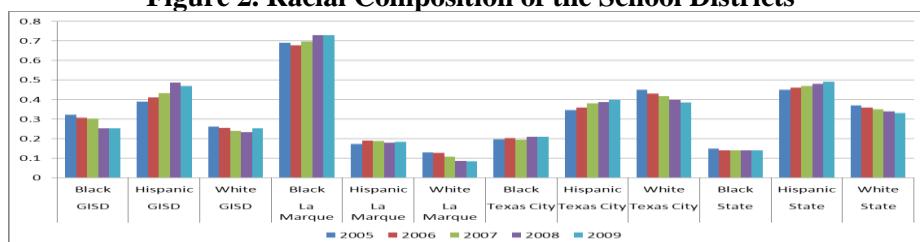
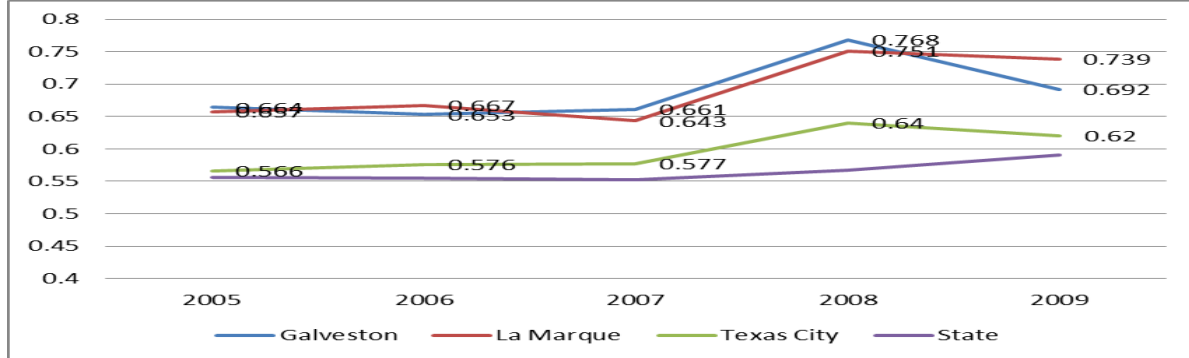


Figure 3 presents the proportion of students reported that are economically disadvantaged at the three school districts. Economically disadvantaged is defined as the percent that receive free and reduced lunches. The National School lunch program is a federally funded program to provide nutritionally balanced free or low cost lunches to children at school every day. For the 2010-2011 school year, children from families with incomes at or below \$28,665 for a family of four are eligible for free meals. Those with incomes above that but below \$40,793 for a family of four are eligible for reduced-price lunches, for which students can be charged no more than 40 cents. Schools then receive a cash reimbursement from the National School Lunch program. GISD has a very high proportion of economically disadvantaged students.

Figure 3. Proportion of Economically Disadvantaged Students (Receiving Free/Reduced Lunch)



The level of disadvantage does not seem to change very much between 2005 and 2007 suggesting that in fact, families of all economic backgrounds were equally likely to leave the Island. The large increase in the proportion disadvantaged due to Hurricane Ike and the rapid loss of students suggests that disadvantaged families remained on the Island after Ike while upper middle class and well-off families left the Island. In addition, as mentioned earlier in this report, many of public housing families displaced by Ike remained on the Island in DHAP units, and therefore, the children continued to attend GISD schools. GISD has over 60 percent of its students considered economically disadvantaged and thus, their reimbursement rate is \$2.79 per each free meal and \$2.39 per each reduced price meal. The reduction in the proportion of disadvantaged students for the 2009 school year speaks to the return of some of the well-off families after Ike. La Marque and Texas City have fewer disadvantaged students, but the patterns over time are similar to that of GISD. All three school districts show a much higher proportion of disadvantaged students compared to the state average.

3.3. Impact of the Free and Reduced Lunch Program

The Free and Reduced Lunch Program is the one program where it could be more expensive to the GISD to educate poor students compared to non-poor students. Table 5 presents information from audited budgets to determine if GISD is losing money on the federal lunch program.

Table 5. Total Revenues and Expenditures for the Children’s Free and Reduced Lunch Program

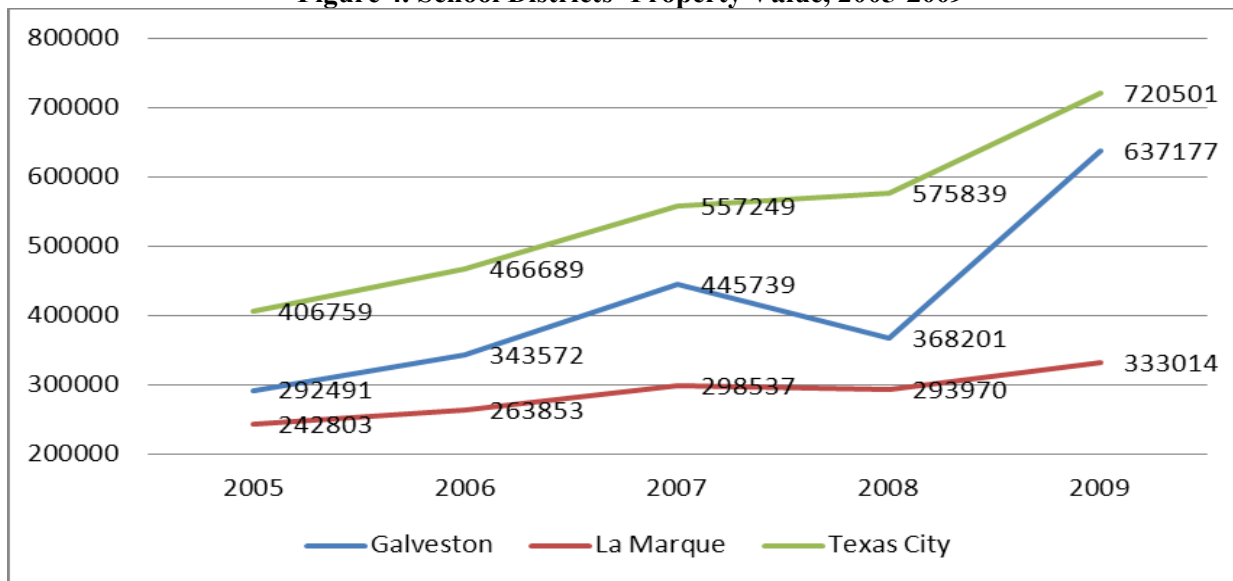
	2005-2006	2006-2007	2008-2009	2009-2010
Total Revenues	\$4,376,134	\$4,620,581	\$4,142,013	\$4,615,447
Total Expenditures	\$4,219,973	\$3,82,249	\$4,120,520	\$4,276,868
Gains (losses)	\$156,161	\$738,332	\$21,493	\$338,579

These figures include all food services and not just free and reduced lunches. What they reveal is that while a large percentage of the student body is receiving a subsidized lunch, it is not having a negative impact on the school district's budget. The program earned a surplus for the school district both prior to and after Ike. Budget Item 240 (nutrition program) was not available to examine for the 2007-2008 school year. Texas City did not report a break out of revenues and expenditures for a school lunch program. La Marque also shows a gain from the lunch programs in the years, 2005-2006 through 2008-2009. In the 2009-2010 school year, La Marque had a loss of \$6,755 from their school lunch program.

3.4. Assessment of the Tax Burden

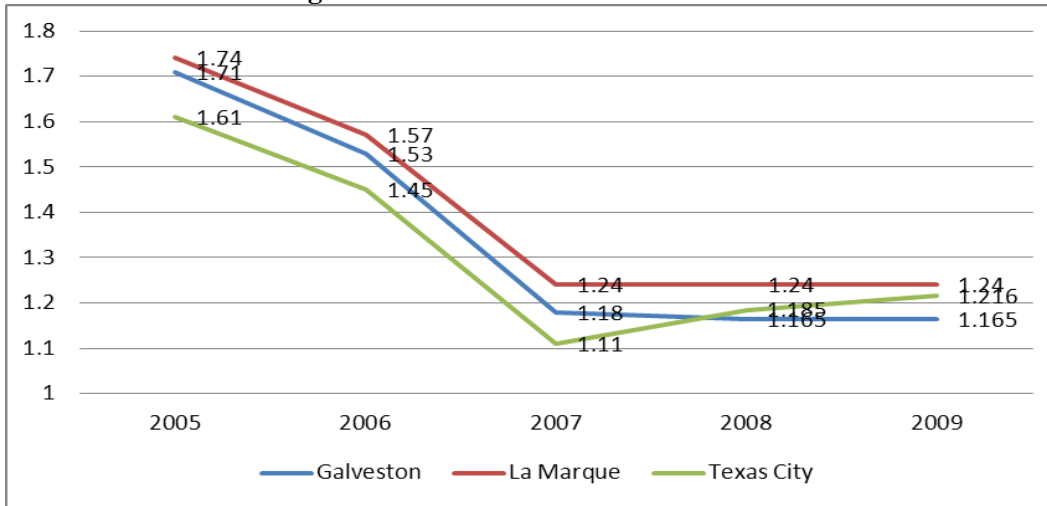
All school districts in the United States are primarily funded through property taxes. Figure 4 shows school district property values used to calculate state funding of schools based on WADA for Galveston, La Marque and Texas City. Districts are considered wealthy and subject to Chapter 41 when its property values divided by enrollment WADA exceeding \$319,500. Texas City has been considered a wealthy district since 2005 whereas La Marque has not. By 2006 Galveston had become a wealthy district as the property value hit \$343,572, and thus became subject to Chapter 41. While Galveston experienced a Hurricane Ike dip in 2008, property values rose even more steeply by 2009. This means that 25 percent of the tax revenues leave GISD to be redistributed to poor school districts. Earlier we also noted that rents have increased since Ike. This is not suggestive of a housing surplus problem, but rather, a housing shortage problem most likely stemming from the large number of damaged or dilapidated homes currently on the Island.

Figure 4. School Districts' Property Value, 2005-2009



How does the tax rate charged Galveston residents and used to support GISD compare to mainland districts? Figure 5 reveals that residents of the City of Galveston are not paying a higher tax rate than nearby areas nor has an increasing tax rate used for educational purposes since Hurricane Ike. In fact, the tax rate charged to Galveston Island's residents is lower than that of La Marque and Texas City. Thus, citizens are not overpaying for education due to the economic circumstances of its students.

Figure 5. The Total Combined Tax Rate



3.5. District Resource Allocations

Given the hardships facing GISD, we thought it might be important to illustrate how resources are being utilized to educate its students in Figures 6 and 7. Figure 6 presents student-to-teacher ratios. Higher numbers mean teachers are spread more thinly; having less time to spend with each student. GISD, except for 2008, the Hurricane Ike year, had a teacher-student ratio of just under 14.5 students to every teacher. La Marque’s ratio is similar. Texas City has a slightly higher ratio. The State of Texas average student to teacher ratio is at closer to 14 students to every teacher. GISD appears to be right on target. It does not expend more resources than the districts with fewer disadvantaged students.

Figure 6. Resources available to the school districts: Student Teacher Ratios

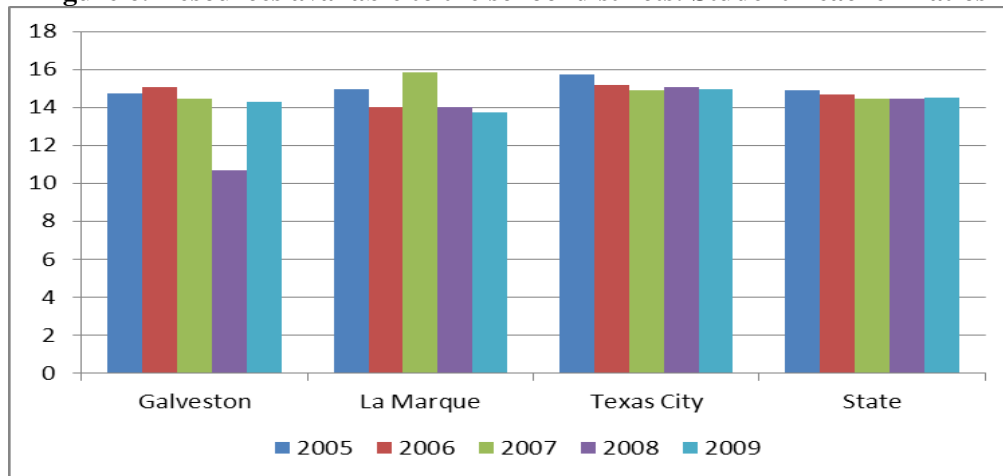
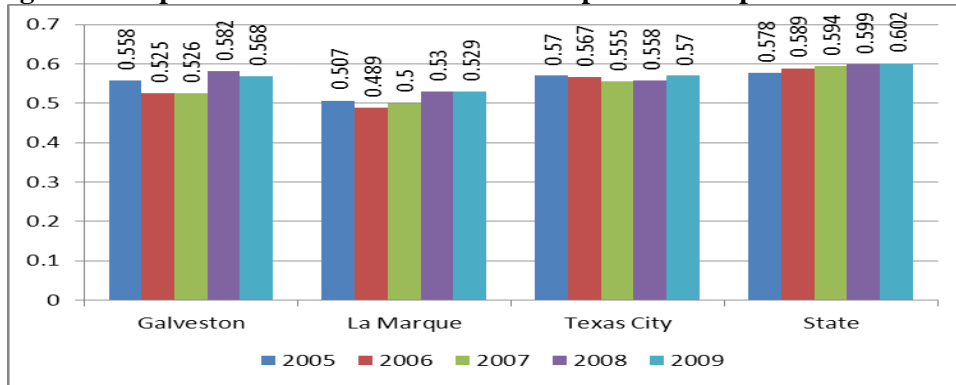


Figure 7 presents the proportion of each school district’s total general fund expenditure spent on instruction compared to the State of Texas.

Figure 7. Proportion of Total General Fund Expenditures Spent on Instruction

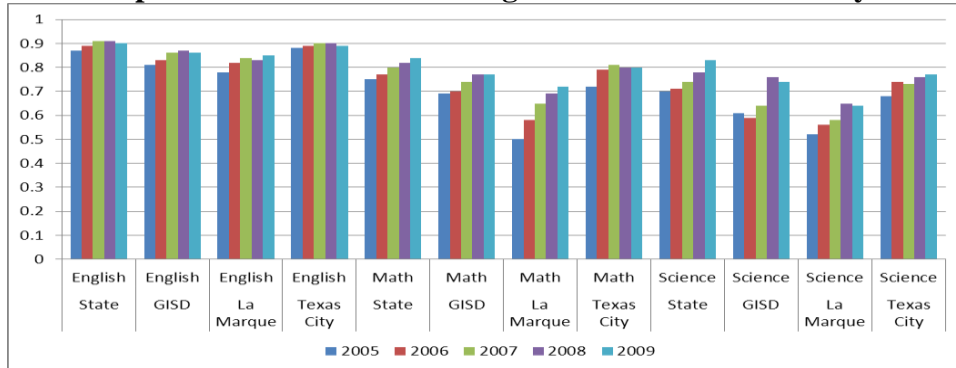


Instructional expenditures include all activities directly related to the interaction between teachers and students, including computer-aided instruction, and resources allocated for juvenile justice alternative education programs. GISD spent about 55 percent of its total expenditures on tuition in 2005. The percent paid for instruction dropped in years 2006 and 2007 before returning to a comparable level to the State of Texas. La Marque spends slightly less of its expenditures on instruction compared to GISD, Texas City and the State of Texas. Texas City spends about the same amount as GISD on average. In summary, GISD appears to be broadly in alignment with the State of Texas in terms of spending on instruction. Thus, the fact that GISD has a large disadvantaged student body is not leading to greater expenditures.

3.6. Trends in Student Performance and Completion Rates

Given that GISD does not expend more than the State on average or the other local school districts, does this mean that GISD’s students are less successful than mainland county school districts? Figure 8 provides a comparison of performance on mandated exams from 2005 to 2009 between GISD, La Marque and Texas City ISDs with the State of Texas. GISD students perform worse than the State and Texas on average, but better than La Marque. GISD also shows improvement in meeting accountability standards in the two years after Hurricane Ike, which corresponds to an increase in economically disadvantaged students in the district.

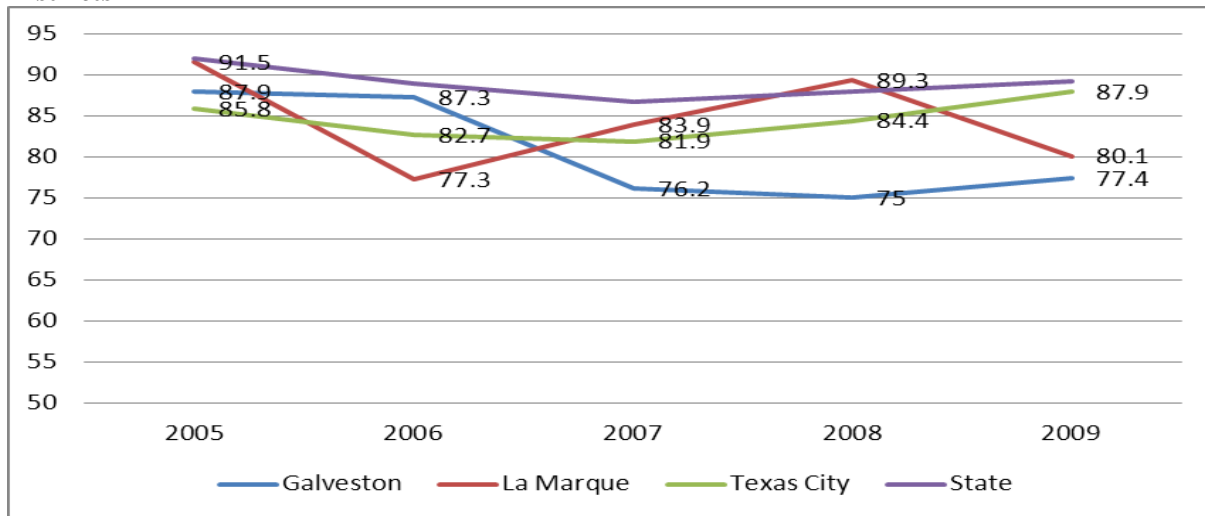
Figure 8. Proportion of Students Meeting Academic Accountability Standards



Performance can also be assessed by examining completion rates. Figure 9 presents completion rates for GISD, La Marque and Texas City. A completion rate is defined as the percentage of

students who entered 9th grade, continued through 12th grade, and graduated or continued their education beyond the senior year. All three school districts show about a 90 percent completion rate in 2005, which was close to the state average. This dips over time for all three school districts. Texas City’s school district recovered by the 2009 school year while La Marque and GISD dip to about an 80 percent completion rate.

Figure 9. Completion Rates for the State of Texas, Galveston, La Marque and Texas City School Districts



What does all this mean? GISD is slightly below the state average in terms of student performance. Yet it is not that much different from other local school districts. At the same time major concern is completion rates. It may well be due to students matriculating from other school districts as Hurricane Ike forced them off the Island. More research is needed here to determine why completion rates dropped and how to improve them. While there is always room for improvement, given the vast demographic, environmental, and economic changes GISD has been facing, GISD has met standards consistently well and does not demonstrate an inability to educate its students comparably to the mainland.

3.7. Discussion

Prior to Hurricane Ike, when the 569 units of public housing were functioning on the Island and much of the private housing was not yet damaged by Ike, the percentage of disadvantaged students was already high. GISD was able to educate them comparably to other local school districts and to the state with no increased or burdensome tax rates. The evidence suggests, however, that the school district lost more advantaged students due to Ike than disadvantages ones. The more advantaged students have begun to come back, but have not reached the numbers they had prior to the hurricane. In addition, over half of the displaced public housing residents never left the Island. Thus, if anything, in the years to come, GISD will have to accommodate more advantaged students. Rebuilding will have a negligible impact on GISD.

Housing values have been increasing on the Island due to wealthy summer home purchasers. This has led to middle class residents to move to the less expensive suburbs located on the mainland leaving the Island Polarized in terms of socio-economic class. More importantly it has

led to Galveston becoming a Chapter 41, or wealthy community. Arguably, it is this that has a greater effect on the GISD's budget. At the same time, given that the overall combined tax rate has declined for Galveston; education is not placing an undue burden upon its home owners. The main potential increased expense to tax payers would be the GISD's participation in the free and reduced lunch program at an increased rate since Ike. Given that this nutritional program is running at a profit in the District, this also is not contributing to an added burden on Galveston tax payers.

Galveston is not expending more resources than other mainland school districts to educate its students and the student success rate is not sufficiently different from the mainland to suggest GISD cannot educate its children well with the resources it has. Thus, our assessment suggests that rebuilding the 569 units within a mixed-income framework will not have a negative impact on the GISD nor the taxpayers of Galveston.

4. Conclusion



Our analysis provides little support for opponents' ongoing concerns about rebuilding. First we find no evidence to suggest that the City of Galveston is currently overburdened with low income subsidized housing. In fact contrary to concerns, our findings reveal that the mainland has just over 53 percent of all subsidized housing in the county compared to the Island's 46 percent. This differential is even more pronounced for non-GHA subsidized housing with the mainland having 80 percent compared to the Island's 20 percent. In terms of GHA subsidized housing the proportions reverse, but not by as much as critics seem to imply. Specifically, while the Island has 62 percent of this housing, the mainland has 38 percent, which is a sizeable portion.

In terms of concerns about how rebuilding will impact the Island's rental housing market, we find that the current vacancy rate is much lower than opponents to rebuilding claim. Specifically, the contention that there are 7,000 vacant rental units *fit for occupancy* on the Island is a *myth*. In reality there are about 2,500 and of those it is unclear how many are substandard. This suggests a need for quality market rate rental housing that rebuilding would supply. Likely such renters would be UTMB students, younger working and middle class families, or retirees. Indeed, our analysis suggests a demand for quality rental housing on the Island.

Turning to concerns about the impact of rebuilding on the GISD, we again find no evidence to support opponent's claims. First GISD states that they spend the same amount per student regardless of income level. In addition, before Ike the GISD had a very large proportion of disadvantaged students and was able to accommodate them. First, evidence suggests that the school district lost more advantaged students due to the storm than disadvantaged students. Indeed, many of the public housing residents displaced by Ike have remained on the Island in DHAP housing. While, the more advantaged students have begun to come back, the GISD has not reached the numbers of these students they had prior to Ike. GISD has the capacity to re-accommodate post-rebuilding enrollment increases without straining its budget or further burdening the Island's tax payers.

We conclude that implementing a mixed-income rebuilding plan can only help the City of Galveston become economically healthy and sustainable. First, the mixed income design will negate the possibility of poverty reconcentration. Second, the mixture of on-site and scatter-site housing will increase the income mix of Galveston's neighborhoods. Third, the selection of where to build the scatter-site housing will help mitigate the substandard rental housing currently on the Island. Lastly, there is clearly a demand for quality, centrally-located market rate rental housing. Rebuilding with a mix of market rate housing has the potential to increase in-migration of middle class households. In-migration will have a multiplier effect of bolstering the city's economic sustainability *without* marginalizing the very important low-income worker population of the city. Because Galveston depends on the tourist industry, housing this population is crucial.
