



## **Housing Galveston's Future**

*An Assessment of Trends and Post-Ike Plans  
Report One -- Prepared for the Galveston Housing Authority*

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*All photographs in the report were taken by Deirdre Oakley.*

## **Table of Contents**

<i>Executive Summary</i>	<b>3</b>
<i>Background</i>	<b>6</b>
<i>Galveston's History</i>	<b>9</b>
<i>Analysis of Media and Public Hearing Discourse</i>	<b>12</b>
<i>Demographic and Economic Trends</i>	<b>15</b>
<i>Analysis of Housing Trends and Reports</i>	<b>23</b>
<i>The Spatial Organization and Neighborhood Characteristics of Housing</i>	<b>31</b>
<i>Cost-Benefit Analysis of Post-Ike Plans</i>	<b>36</b>
<i>Conclusions and Recommendations</i>	<b>50</b>



## 1.0 Executive Summary

When Hurricane Ike struck the City of Galveston on September 12, 2008 it destroyed almost 60 percent (569 units) of the Island's public housing, leaving the residents with few personal belongings and no home to return to. The Galveston Housing Authority (GHA) was able to secure subsidized private-market housing for the displaced public housing residents, as well as thousands of other renters who had never lived in public housing. Yet, the demand for housing assistance continued to outstrip the supply, in part because of the pervasive storm damage. Even prior to the storm, Galveston had a waiting list of about 3,000 households in need of subsidized rental housing. Nonetheless, when the GHA announced plans last year to rebuild the 569 units destroyed by Ike (390 on the same footprints of the original housing and 179 scatter-site) it encountered public opposition. Even after the City Council approved the rebuilding plans last February and the U.S. Department of Housing and Urban Development (HUD) committed the funds -- including additional money for much-needed city infrastructure improvements -- the opposition continued, hampering progress.

The argument against rebuilding largely hinges upon the contention that the city already has the lion's share of public housing in the county. Rebuilding, it is argued, will result in an excess number of low-income housing units, and therefore a disproportionate share of the county's low income population on the Island. In addition, opponents voice concerns, not only about property values, but about how rebuilding will impact tourism, one of the city's main economic activities.

Galveston is one of the largest cities in Galveston County with a pre-Ike population of almost 60,000. Former public housing residents displaced by the storm comprise less than two percent of the city's total population and have by-and-large remained on the Island since Ike. Still, opponents argue that rebuilding will not only increase the low income population but the costs of city services as well. Some of this concern is driven by the perception that the Island has experienced a significant amount of white flight over the last four decades leading to a shrinking middle class. Implicit here is the assumption that because of this exodus, the demographic composition of the city has become very different from that of the county.

The ongoing debate about public housing has resulted in several alternative plans for the future implementation and organization of low income housing in the city as well as the county. The purpose of this report is to present our preliminary analysis of these as plans within the context of trends in Galveston's population, economy, and housing over the last four decades. We utilize data from the U.S. Census, as well as administrative data from the GHA and HUD; official documents on the various post-Ike housing and recovery plans, City Council meeting minutes, and local media sources.

We find little evidence to support opponents' claims. The demographic composition of the city has only experienced modest shifts over the last four decades, shifts mirroring that of the county. While the city does have the majority of the public housing, the county has the majority of Low Income Housing Tax Credit (LIHTC) developments. LIHTC is another federal government-sponsored low income housing program. Spatial concentration of subsidized private rental market housing is equally as evident in the county as in the city. These patterns are largely driven by the location of rental housing as well as landlord choice. The neighborhoods in the city and county where public and subsidized housing are located are not segregated areas of concentrated poverty. They are, in fact, both economically and racially mixed. Lastly, we find that the GHA rebuilding plan is the most cost-effective in terms of the city's immediate housing needs.

### *1.1 Key Findings*

- Pre-Ike media coverage and public hearing discussions concerning public housing were almost non-existent. However, post-Ike a debate over the rebuilding of public housing on the Island has been, and continues to be played out in the media. At the same time, Galveston residents who have spoken about public housing at City Council meetings since Ike have been largely supportive of rebuilding and the GHA. What this suggests is that the opposition to rebuilding is not representative of the general public's view, but rather of a small, very vocal minority of Galveston residents.
- Demographic trends since 1970 indicate that the decrease in the white population in the city was identical to that in the county. Likewise the racial composition in both was and remains quite similar. Thus, the demographic composition of the city has only experienced modest shifts over the last four decades.
- Socioeconomic trends indicate that, since 1970, the city has had double the poverty rate of the county as it does today, and that both the city and the county have experienced increases over the last four decades. In addition the city's poverty rate is similar to that of Houston and post-Katrina New Orleans, but less than that Atlanta.
- The occupational and industry structure of the city and the county are consistent with broad national changes since 1970: high skilled manufacturing jobs have decreased; high skilled professional jobs have increased modestly; and low skilled (low wage) service jobs have experienced a substantial increase. While it is clear that the current occupational structure of the county is better able to accommodate a highly skilled workforce, it is important to note that the tourism industry in the city is growing and brings in a significant amount of revenue. Tourism jobs are typically low paying, and therefore a need exists for housing affordable to this workforce.
- Housing trends in the city indicate an increase in rental and vacant properties, as well as an increase in substandard rental housing. At the same time the county has experienced an increase in owner-occupied housing. Thus, the availability of rental housing is far greater on the Island than in the county. At the same time, increasing vacancy rates suggest that rent prices have been driven up which potentially impedes the economic well-being of low and moderate wage earners in the city.

- While the city has the majority of the public housing, the county has the majority of the LIHTC developments. Second, spatial concentration of voucher subsidized housing is evident in the city as well as the county. This is largely driven by the location of rental housing as well as landlord choice.
- The majority of the city's households who received Disaster Housing Assistance (DHAP) -- including the displaced public housing residents – have remained on the Island since Ike. Thus, rebuilding will not cause an influx of low income residents because they never left in the first place.
- The neighborhoods within which public and subsidized housing are located in the city and the county are not segregated areas of concentrated poverty. They are, in fact, economically and racially mixed. What this suggests is that the risk of a Fair Housing lawsuit being successfully litigated against the housing authority is very low.
- The GHA plan is the most cost effective and sensible one. It minimizes costs to the city, it takes into account the need to deconcentrate poverty, and it maximizes benefits to Galveston as a whole.





## 2.0 Background

### 2.1 *The Story of Ike and the Island's Public Housing*

On September 12, 2008, Hurricane Ike hit Galveston with winds up to 110 miles per hour and a storm surge of 14 feet. Hurricane Ike and the Great Storm of 1900 offer striking comparisons. Both struck during the tail end of a real estate boom. Both followed a specific track through the Gulf of Mexico. Both brought two-story storm surges. Both cost Galveston a significant portion of its population. Both displaced thousands and both changed the lives of all of the Island's residents, regardless of race, ethnicity, or socioeconomic status.

However, unlike the Storm of 1900 which claimed 8,000 lives, Ike's death toll was low because of prepared and responsive Galveston officials and residents. Still, in 2008, post-Ike Galveston was a land of devastation, overwhelmed by a crippled infrastructure and pervasive housing damage. One month after the storm, the business district slowly began to come back to life but many homes remained uninhabitable; 400 citizens were still sleeping in Red Cross tents, and 800 were still using the shelter during the day for basic needs and utilities. Homeowners across the city remained in limbo as they and city officials waited for news from the Federal Emergency Management Agency (FEMA). FEMA insurance claims ended up taking 10 or more months to come through. One year later, 20 percent of the city's population still had not returned (Rice 2009).

Homeowners were not the only ones waiting for news. Ike destroyed all 569 of Galveston's family public housing units, leaving public housing residents with few personal belongings and no home to return to. The storm also damaged a significant portion of the Island's private market rental housing. The Galveston Housing Authority (GHA) was able to secure subsidized private-market housing for the displaced public housing residents, as well as thousands of other renters who had never lived in public housing. Yet, the demand for housing assistance continued to outstrip the supply, in part because of the pervasive storm damage. Even prior to the storm, Galveston had a waiting list of about 3,000 households in need of subsidized rental housing. Nonetheless, when the GHA announced plans last year to rebuild the 569 units destroyed by Ike (390 on the same footprints of the original housing and 179 scatter-site) public opposition emerged among a relatively small but very vocal group of local community organizations and residents.



Ike wreaked havoc on virtually every Galvestonian, but the distinction between its effects on those living in private housing and those in public housing is important: there has been no argument as to whether or not private housing residents get to return, rebuild or remain. And the debate about rebuilding public housing is not about money: the U.S. Department of Housing and Urban Development (HUD) is footing the bill, along with additional funding for much-needed city infrastructure improvements. In fact, the argument against rebuilding largely hinges upon the contention that the city already has the lion's share of public housing in the county. Rebuilding, it is argued, will result in an excess number of low-income housing units and therefore a disproportionate share of the county's low income population on the Island. In addition, opponents voice concerns, not only about property values, but about how rebuilding will impact tourism, one of the city's main economic activities.

Yet, Galveston is one of the largest cities in Galveston County with a pre-Ike population of almost 60,000. Former public housing residents displaced by the storm comprise less than two percent of the city's total population and have by-and-large remained on the Island since Ike. Still, opponents argue that rebuilding will not only increase the low income population but the costs of city services as well. Some of this concern is driven by the perception that the Island has experienced a significant amount of white flight over the last four decades leading to a shrinking middle class. Implicit here is the assumption that, because of this exodus, the demographic composition of the city has become very different from that of the county, although specific census figures have not been provided to support this claim.

Nevertheless, the ongoing debate about public housing has resulted in several alternative plans for the future implementation and organization of low income housing in the city as well as the county.

Ironically, Galveston residents have a history of defending public housing. For example, in 1982, efforts to sell units were met with enough resistance that the sites in question remained in public control. Public housing also represents some of the higher quality rental housing in the city. To be sure, Galveston also has a history of substandard rental housing. Galveston's Women's Health Protective Association blew the first whistle on substandard housing in 1914, but public housing was not built on the Island until 1943. The GHA continued to expand into the 21<sup>st</sup> Century, prior to Hurricane Ike operating over 900 public housing units, administering 1,213 Housing Choice Vouchers (formerly Section 8), a very successful rent-to-homeownership program, as well as a mixed income redevelopment. The GHA is considered a top performing housing authority by HUD's annual assessment. Yet, the need for affordable housing persists, fueling an ongoing presence of substandard private rental housing owned by absentee landlords, a situation that has only become worse since Ike. While rebuilding will provide much needed quality rental housing on the Island, opponents argue that the benefits of rebuilding are far outweighed by the potential for negative outcomes.

## ***1.2 The Purpose of this Study***

Although the veracity of opponents' claims has not been systematically analyzed, the public debate continues along largely ideological lines and has compromised the timeline for rebuilding. Using a wide variety of available data sources, the purpose of our study is to address opponent's concerns and evaluate the various plans within the context of trends in Galveston's population, economy, and housing over the last four decades. Data come from the U.S. Census,

as well as administrative data from the GHA and HUD; official documents on the various post-Ike housing and recovery plans, City Council meeting minutes, and local media sources. This report presents our initial findings. In order to provide a context for our study, we begin the report with a historical overview of Galveston, followed by a brief analysis of the pre and post-Ike public discourse on public housing. Subsequent sections provide more detailed analyses of (a) city and county demographic, economic and socioeconomic trends; (b) city and county housing trends as well as specific post-Ike housing and recovery plans; (c) city and county spatial organization of public and subsidized housing; and (d) cost-benefits of the various plans, including GHA's one to rebuild.







## 3.0 Galveston's History

### 3.1 *The Population*

Until the turn of the 20<sup>th</sup> Century, Galveston was not only the largest city in the state but also the second wealthiest in the nation. According to historians and demographic scholars, Galveston has always had a diverse and blended population including native tribes, European explorers, pirates, buccaneers, hunters, slaves, colonists and militia. German immigrants were the first to settle and found the city, but by 1880 an official census documents groups of Italians, Greeks, Belgians, Danes, Mexicans, Portuguese, Poles, Hungarians, Czechs, Spaniards, Swedes, Welsh, Canadians, Swiss, Scots, Irish, English, French, as well as freed African American slaves.

Galveston's diversity in the 19<sup>th</sup> Century made it a flourishing urban area, "unequaled in cosmopolitanism, ornate residences, commercial development, and booming industrial activity" (Hardwick 2003. p. 30). During that time it was called the Queen of the Gulf, the Oleander City, and even the Wall Street of the Southwest. Galveston was also once known as the Ellis Island of Texas because of an immigration movement that channeled thousands of European immigrants through the Island and into the mainland between 1850 and 1890.

Despite its continual destruction by tropical storms, Galveston had a fast-growing population until 1920, when strict U.S. immigration laws stopped the flow of European immigrants that had been filtering into the U.S. through the Island's port. As other urban areas have industrialized and grown, Galveston has experienced a steady population decline, which briefly stabilized in the 1960s and 70s at about 62,000 residents but resumed its descent by the 80s (McComb 1986). The largest decline has been among the white middle class, although similar declines are apparent in the county as well. A recent study from Texas A&M University estimates the post-Ike population to be 48,000 residents (Meyers 2010).

### 3.2 *The Economy*

The City of Galveston was incorporated in 1839. It quickly developed the most active port west of New Orleans. Galveston is known for many national firsts: first post office, first opera house, and first hospital. Finance has also been a major contributor to the Island's economy with one of the largest U.S. life insurance companies based there, as well as Moody National bank, the largest privately-owned in Texas. Three main families (the Sealys, Kempers and Moodys) were said to run the economy, politics and society from the 1900s until just after World War Two (McComb, 1986; Cartwright, 1991). They ran the port, the banks, insurance companies and cotton exchange.

**3.2.1. The Role of the Port.** The Galveston Port had a monopoly on trade and commerce in Texas. The port was a major contributor to the Island's economy in the 19<sup>th</sup> century. Galveston moved Texas agricultural products all over the U.S. and the world. In the 19<sup>th</sup> Century, Galveston functioned as "Houston's ocean port," unloading, storing and transferring cotton from bayou steamers to ocean ships. Houston had an immediate market around it and Galveston did not. Galvestonian interests shipped produce from agricultural Texas to other ocean ports and, in return, imported supplies that could then be passed to Texas farmers. Exports were 20 times greater than were imports prior to the civil war.

By the late 19<sup>th</sup> Century, Galveston Port had lost many of its interests, but retained its status as one of the top five U.S. cotton ports (McComb 1986). Although the Great Storm further compromised the port's viability, in the early 20<sup>th</sup> Century sulfur became another main cargo.

By the 1940s, contention surrounding the port's ownership by the Galveston Wharf Company led to the purchase of the company by the City of Galveston for \$6,250,000. The company was dissolved and a board formed including the Mayor, three representatives of the Galveston Corporation and one city commissioner; however, for several years public control of the port was held hostage by withheld corporate taxes and unredeemed wharf bonds. In 1947, voters agreed that a municipal board should use another \$2,500,000 to redeem the remaining bonds and finally bring the port under city governance (McComb 1986).

The port remained competitive into the late 20<sup>th</sup> Century, continuing to ship cotton, sulfur and grains, and importing crude petroleum, sugar and fruit. In 1979 it was ranked seventh in total tonnage among Texas ports (McComb 1986). But by the 21<sup>st</sup> Century, port revenues had declined so much that the city was unable to pay the \$8 million in matching funds required for the federal government to widen its channel (Yardley 2001). Port officials in Houston and Galveston proposed a merger that would have annexed Galveston Port and brought much-needed change to the outdated and indebted wharf, including the upgrading of its infrastructure, repaying its debt and adding 2,000 jobs to its rosters. However, Galveston voters felt that Houston was hoodwinking them, and they voted it down.

**3.2.2. The Role of the Military, Gambling and Tourism.** Galveston had a large military presence due to its early pirating history. But a larger presence was created during the War of 1812 and the Civil War. By World Wars One and Two, however, the military had shifted from Galveston to nearby Pelican Island and Texas City. The military presence encouraged prostitution, drinking and gambling. In the Prohibition Era, there was a great deal of illicit activities which brought a lot of money into the city. In fact, up until the late 1950s, gambling sustained the economy.

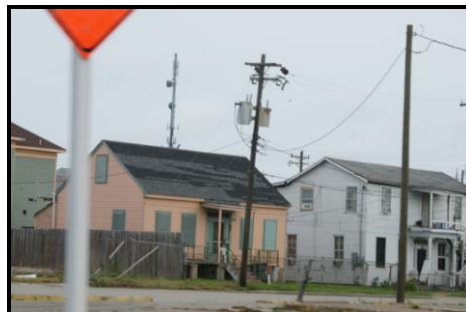
The beach fronts' tourist value was recognized by late 19<sup>th</sup> century. Excursion trips and bathing began in earnest around 1873. Fetes and Mardi Gras were organized to encourage tourism. The gambling and social clubs formed during the prohibition era such as the Balinese room, brought even more tourists. By 1957, when the law shut them down, it was estimated that 1,000 people lost their jobs (Cartwright, 1991).

**3.2.3. The Role of the Public Sector.** The University of Texas Medical Branch (UTMB), which was initiated in 1890, was located in Galveston for two main reasons. First, Galveston experienced many yellow fever epidemics in its early days. Second, due to the military presence

and prostitution, Galveston also had a large prevalence of syphilis. UTMB has grown to be the largest employer on the Island and a prestigious medical university. The second largest employer is the city school district.

**3.2.4. *The Role of the Great Storm of 1900.*** There are debates about the long term impact of the Great Storm. Some say the Port of Galveston was never what it had been prior to the storm and that neither was the population. But the fact of the matter is that (a) Galveston's port was already on the decline because of competition from Houston prior to the storm; and (b) the majority of the city's population who survived the storm never left the Island. According to reports developed by the *Galveston County Daily News* (GCDN) in partnership with the *City of Galveston Storm Committee* (2010), right after the storm a committee of remaining residents was formed to plan for rebuilding. To prevent future floods a plan was devised to build a seawall along the beach front and raise the grade of the entire city. The seawall side was raised over 16 feet above sea level. The slope dropped about one foot for every 1,500 feet from the seawall which left the bayside of the Island vulnerable to flooding. Nevertheless, the rebuilding of the city was considered a success and its economy continued to prosper on tourism, gambling and to a lesser extent the port into the 1950s.

**3.2.5. *The Role of Deindustrialization and Suburbanization.*** Beginning in the 1950s, the out-migration of manufacturing took a toll on cities across the country. Port cities were particularly vulnerable because as this out-migration took full hold, the United States became a country of imported goods, rather than an exporter. At the same time highway construction and new mortgage opportunities made it easier for individuals and families of modest economic means to move out of the center city into the suburbs, places once reserved only for the wealthy. These two nationally emerging trends changed the built environment as well as the economic and social fabric of cities forever. But this does not mean that the City of Galveston has been dying a slow death like some of the Rustbelt cities. Galveston never industrialized to the same extent as most cities due in large part to the threat of hurricanes. The level of Galveston's economy has remained steady and unchanged since World War Two. Tourism, however, has become an increasingly important part of the city's economy attracting visitors from all over the country to its beachfront and historic districts. The port is now ranked 7<sup>th</sup> in shipments among the 13 major Texas ports, and is the home of two cruise lines. UTMB includes four schools, three institutes for advanced study, a major medical library, a network of hospitals and clinics that provide a full range of primary and specialized healthcare, as well as a World Health Organization (WHO) collaborating center on international health issues.





## 4.0 Analysis of Media and Public Hearing Discourse

### 4.1 Media Coverage

Debates over the rebuilding of public housing have largely played out in public forums, including the local media and public hearing venues. We systematically reviewed this coverage. The GCDN keeps an online archive with links to all articles from January, 2001 to the present. We searched this archive from January, 2005 to present day under the key term “housing,” selecting all articles pertaining to the Galveston housing market. Our sample totaled 378 articles. We supplemented this sample with a commensurable search of EBSCO’s News Source, which produced results from several regional and national periodicals. This sample totaled 37 articles.

Based on this research, we then constructed a database of 415 articles coded by date published, author, title, head subject category, subcategory and periodical of origin. Within this format we were able to reduce our data to a numerical form and analyze trends in media coverage and content. A description of category definitions as well as the full content analysis tables can be found in Appendix One.

Table 4.1 shows the percentage of articles that appeared concerning public housing by year. Articles about the GHA and public housing made up 219 out of 415 articles, or 52.77 percent of our total sample, representing more coverage than all other categories combined. Of these articles, 95.43 percent were published after Ike.

**Table 4.1.** Pre-Post Ike Media Coverage of Public Housing

Category	Year	Number	Percent
GHA/Public Housing	2005	1	0.24
	2006	5	1.20
	2007	5	1.20
	2008	22*	5.30
	2009	116	27.95
	2010	70	16.87
Total		219	52.77

*\*All 2008 articles are post-Ike.*

Between 2005 and 2007, there were only 11 articles about public housing. Although the GHA was actively building during these years, there was virtually no negative sentiment present in its press coverage. Two of the 11 articles covered the Oleander Homes fire. Three discuss changes in the GHA board. One reports on resident education programming. Four review new housing

unit development and one explains an award GHA received. The debate over public housing in Galveston did not surface until well into 2008, when the GHA began its recovery and reconstruction planning. The coverage includes a substantial number of articles against GHA's rebuilding efforts, with oppositional press coverage representing 58 out of the 219 articles, or 26.48 percent.

On February 26, 2010, GCDN reported that after rounds of review and public input, the Galveston City Council finally approved GHA's plan to rebuild the 569 public housing units destroyed by Ike and HUD committed the funds to begin construction. Despite this decision, between February 26 and July 15, 2010 there were 13 articles published in the GCDN expressing concerns about the plan and recommending that the plan be rethought. This represents nearly 23 percent of the total "opposition" category.

Overall the data show that there has been significant and disproportionate press coverage on the activities of the GHA since Ike. One-fourth of this coverage represents an oppositional stance against the GHA, and a significant portion of that opposition continues as a backlash against plans to rebuild public housing. The analysis also shows that much of the opposition is coming from an ideological rather than evidence-based position.

#### ***4.2 Public Hearings – City Council Meeting Minutes***

Before Ike, no housing discussion existed during the city council meetings. The earliest mention of public housing was September 29, 2008, when two citizens spoke about concerns over voucher housing. The discussion did not pick back up until April of 2009, and only a few vague statements were made. In May and August of 2009, a few more citizens began to get involved. The overwhelming majority, to this point, supported public housing. In 2010, only one public hearing addressed public housing, but 35 citizens spoke on the issue. Only 8 citizens opposed public housing, and 25 citizens supported public housing.

Two other housing issues have dominated post-Ike city council meetings: (a) foreclosures; and (b) the FEMA buyout program.

***4.2.1. Foreclosures.*** Only one foreclosure was processed in 2008, and it was pre-Ike. In 2009, after Ike, foreclosures began to occur in May and steadily increased until the last foreclosure occurred in September of 2009. A total of 22 foreclosures occurred in 2009, which is startling compared to 2008 and 2010. The foreclosures for 2010 started in May, and that was the last meeting to date reviewing foreclosures. No foreclosure was ever denied. All proposed foreclosures were approved by the members of council.

***4.2.2. The FEMA Buyout Program.*** The FEMA Buyout program provides owners of storm damaged housing the option to sell to FEMA at a below market rate. The first public hearing on buyouts was November 17, 2008, which was roughly two months after Ike occurred. Only four citizens spoke on the issue in 2008, and those citizens played an active role during the next two years of discussion. Buyouts started out strong in 2009 with an extensive public hearing on the buyout in January. During the buyout discussions, many of the same citizens spoke at different meetings. Whereas the discussions of public housing included a variety of citizens, the buyout discussion seemed to be dominated by a few people who appear at every meeting. The overwhelming majority of citizens supported the buyout.



### 4.3 Summary

Pre-Ike media coverage and public hearing discussions concerning public housing were almost non-existent. However, post-Ike a debate over the rebuilding of public housing on the Island has been and continues to be played out in the media. At the same time, Galveston residents who have spoken about public housing at City Council meetings since Ike have been largely supportive of rebuilding and the GHA. What this suggests is that the opposition to rebuilding is not representative of the general public's view, but rather of a small but very vocal minority of Galveston residents.





## 5.0 Demographic and Economic Trends

### 5.1 Demographic Trends

One of the underlying assumptions fueling the opposition to rebuilding public housing is that the demographic composition of the city has changed as the population decreased over the last four decades resulting in a shrinking middle class and an increasing population living in poverty. Implicit here is that the demographic composition of the city has become very different from that of the county. Table 5.1 shows population and demographic trends for the city and county between 1970 and 2000.

**Table 5.1.** Average Census Tract Population and Demographic Trends

	City of Galveston				Galveston County			
	1970	1980	1990	2000	1970	1980	1990	2000
Total Population	61,300	61,700	59,070	57,247	104,575	130,850	154,538	187,516
White	64	60	53	49	79	75	71	64
Black	22	24	27	24	13	14	16	18
Hispanic	14	15	18	24	8	9	11	16
Asian	--	1	2	3	--	1	1	2
	1980-1970	1990-1980	2000-1990	2000-1970	1980-1970	1990-1980	2000-1990	2000-1970
White	-4	-7	-4	-15	-4	-4	-7	-15
Black	+2	+3	-3	+2	+1	+2	+2	+5
Hispanic	+1	+3	+6	+10	+1	+2	+5	+8
Asian	+1	+1	+1	+3	+1	0	+1	+2

Source: U.S. Census 2000

It is clear that while the city has experienced a relatively modest decline in its population (from 61,300 in 1970 to 57,247 in 2000), the county has experienced a substantial increase (from 104,575 in 1970 to 187,516 in 2000). This trend in city-to-suburban migration has been commonplace in urban areas throughout the United States since the 1960s. However, if we examine change in racial composition, similar trends are apparent in both the city and the county. Specifically, between 1970 and 2000 both experienced a 15 percent decrease in the non-Hispanic white population and similar increases (10 and 8 percent, respectively) in the Hispanic population, as well as the Asian population (3 and 2 percent respectively). Increases in the

Hispanic population comprise mostly the 18 to 34 years of age group who typically do not have families and have been attracted to the area because of the availability of work in the tourism industry. At the same time there have been only very modest increases in the non-Hispanic black population with the city experiencing less of an increase than the county (2 and 5 percent, respectively). What these trends suggest is that (a) the city has not experienced dramatic population shifts since 1970 with white flight only representing approximately 7 percent of the total population loss; and (b) that the county has experienced very similar trends. The assertions that the city's economy has been compromised by white flight and an increasing minority population as compared to the county are not borne out in the data.

Another implicit line of reasoning against rebuilding public housing is that it will only make residential segregation by race, particularly black with white, worse. Some of this concern stems from a 1995 lawsuit filed by the former Executive Director of the GHA, who was asked to resign over GHA plans to build scatter-site housing in an effort to decrease the geographic density of public housing on the Island. In the end, the GHA entered into an agreement to build the planned scatter-site housing, thus decreasing the segregation of public housing residents. Opponents to current plans argue that rebuilding 390 of the public housing units destroyed Ike on the same footprints is grounds for another lawsuit, even though the remaining 179 units will be scatter-site.

So just how segregated are the city and county? Calculating an index widely used by academic and policy researchers to measure residential segregation by race, we examine trends since 1980. Specifically, we utilize the Dissimilarity Index. This index measures whether one particular group is distributed across census tracts in the metropolitan area in the same way as another group. A high value indicates that the two groups tend to live in different tracts. D ranges from 0 to 100. A value of 60 (or above) is considered very high. It means that 60% (or more) of the members of one group would need to move to a different tract in order for the two groups to be equally distributed. Values of 40 or 50 are usually considered a moderate level of segregation, and values of 30 or below are considered to be fairly low.

Table 5.2 shows these indices for blacks with whites; Hispanic with whites, as well as Asian with whites and the changes since 1980. Black with white residential segregation decreased from 65.6 to 45 between 1980 and 2000, representing a 20.6 point drop. This indicates that the city went from a highly segregated to a moderately segregated one during this time period. While black with white segregation declined in the county as well, it was and remains substantially higher than that of the city. Specifically, in 1980 the county's black with white segregation was 71.6. By 2000 it had dropped to 59.6. Although this drop is 12 points, by index standards 59.6 is still considered high. Segregation for Hispanics with whites and Asians with whites has remained consistently low in both the city and the county. However both Hispanic with white and Asian with white segregation have increased in the city but decreased in the county.

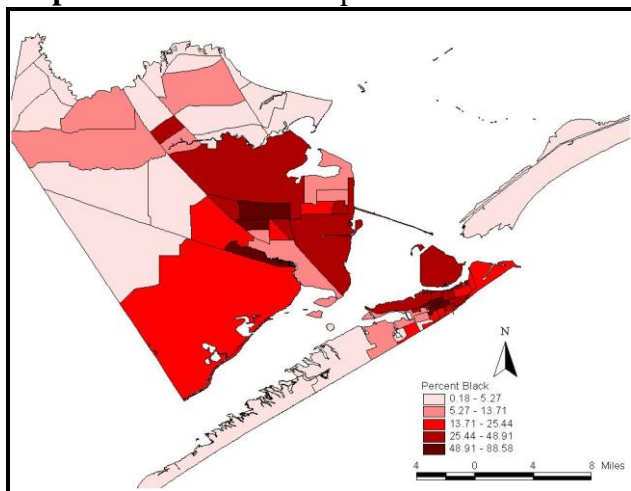
**Table 5.2.** Residential Segregation

	City of Galveston			Galveston County		
	1980	1990	2000	1980	1990	2000
Black with White	65.6	54.8	45	71.6	63.4	59.6
Hispanic with White	28.2	30.2	30.1	33.5	32.8	31.9
Asian with White	29.3	36	35.6	41.6	38.4	34.8
	1990-1980	2000-1990	2000-1980	1990-1980	2000-1990	2000-1980
Black with White	-10.8	-9.8	-20.6	-8.2	3.8	-12
Hispanic with White	+2	+1	+1.9	-.7	-.9	-1.6
Asian with White	+6.7	-.4	+6.3	-3.2	3.6	-6.8

Source: Spatial Structures for the Social Sciences (S4), Brown University

Map 5.1 shows the spatial organization of non-Hispanic black residents of the city and county by census tract as of 2000. The map shows a fair amount of geographic dispersion, as well as similar concentrations in several census tracts in the city and the county. This map suggests that the racial composition of the county is more similar than different from that of the city.

**Map 5.1** Percent Non-Hispanic Black



Source: U.S. Census

## 5.2 Socioeconomic Trends

Table 5.3 compares figures from the census's American Community Survey (ACS) on median household and family income, as well as poverty, between Galveston City and Galveston County. In 2008, the U.S. median household income was \$52,175 and median family income was \$63,211; the median household income of Texas was \$33,964 and the median family income, \$54,300. Per capita income for the U.S. was \$39,138 and for Texas, \$32,391 in 2008. While both the city and county's median household and family incomes are below the Nation's, median household income is higher than that in Texas. Family household income is lower in the city than at the state level, but higher than the state for the county. On the other hand, per capita

income in the city and county are quite similar and are lower than both that of the nation and the state.

As of 2008, the U.S. percent of population living below the poverty line was 13.2, which is much lower than the poverty rate in the city and higher than the county's poverty rate. However, the city's poverty rate is similar to Houston's as well as post-Katrina New Orleans and it is 5 percent lower than Atlanta, a city which has eliminated all of its public housing. In terms of unemployment, the pre-recession national figure was about 6 percent. This is on par with the county in 2008 but the city's unemployment rate was about 3 percentage points higher. Overall, what Table 4 indicates is that the city is less well off than the county. At the same time, the median household income in both is higher than that of the state overall.

**Table 5.3.** Average Census Tract Percent, Socioeconomic Trends

	City of Galveston			Galveston County		
	1990	2000	2008	1990	2000	2008
Median household Income	20,825	28,895	36,525	29,466	42,419	55,995
Median Family Income	25,559	35,049	45,485	35,403	51,435	69,016
Per Capital Income	12,399	18,275	23,064	13,993	21,568	28,312
Percent Poverty	24	22	23.9	13.16	12.42	9.8
Percent Unemployed	4.36	9.71	10.09	4.43	6.91	6.78

Source: U.S. Census, American Community Survey

In addition, since 1970 the city has had almost twice as many residents living below the poverty line than the county. In 1970, 17 percent of city residents were living below the poverty line compared to 8.89 percent in the county. Poverty decreased in the city to 14.31 in 1980 and 8 percent in the county, only to increase in both between 1980 and 1990 and then decrease slightly by 2000. Table 5.4 shows these trends as well as those for unemployment trends. It is clear that while the city has, and continues to have, a greater level of poverty and unemployment than the county, the trends since 1970 show a similar trajectory and may be reflective of shifts in the overall economy of the region.

**Table 5.4.** Average Census Tract Percent Change Socioeconomic Trends

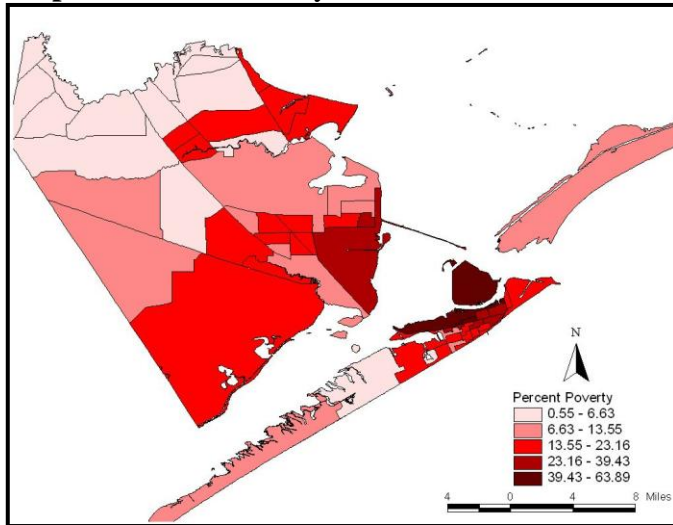
	City of Galveston				Galveston County			
	1980-1970	1990-1980	2000-1990	2000-1970	1980-1970	1990-1980	2000-1990	2000-1970
Percent Poverty	-2.69	+9.68	-2	+5	-.89	+5.16	-.74	+3.53
Percent Unemployed	-.04	+5.35	+.38	+5.77	+1.71	+2.48	-.13	+4.06

Source: U.S. Census

Map 5.2 shows the spatial organization of poverty for the city and county as of 2000. The map indicates that while the city may have more poverty than the county, there are moderate and high poverty census tracts in both. However, the highest poverty census tract is on the Island and it is one of the areas most severely hit by Ike.



**Map 5.2 Percent Poverty**



Source: U.S. Census

### ***5.3 Economic Trends***

Galveston Port's proximity to Houston and its vulnerability to storms continue to hinder its economic growth. While among working ports in Texas it is ranked 7<sup>th</sup>, it is not considered an important port by national standards. Although the future addition of new locks to the Panama Canal provides some potential for an economic revival, without a comprehensive and strategic economic development plan focused specifically on the port, chances are that it will never again rival Houston's and cannot be counted upon to revive the city.

Banking and Insurance remain stable components of the city's economy, but they are not growing industries. Tourism is an important and growing component of the city's economy today, but it provides mainly low wage work opportunities. The largest employers on the Island are found in the public sector; UTMB, as well as the public education. Tourism makes up 30 percent of Galveston's economy. The economy is bifurcated with most of the jobs being either very high skilled or very low skilled. Thus, there are fewer employment opportunities for middle or working class individuals than in the county. Indeed, because the fastest growing industry is related to tourism, the real growth in job opportunities is at low income levels. This in part explains the city's higher poverty rate compared to the county: low wage earners are more likely to be living in poverty. Despite this, however, tourism brings high revenues into the city and therefore a real need for a low wage workforce exists. Without this workforce, tourism, the city's fastest growing industry can not prosper. Not only are workers in this sector needed, it is important to note that they are also tax payers who contribute to the economy of the city.

Based on occupation and industry data compiled from the ACS, we compare trends of the city to that of the county. Table 5.5 presents occupations between 1990 and 2008.

**Table 5.5.** Average Census Tract Percent of Main Occupations

	City of Galveston			Galveston County		
	1990	2000	2008	1990	2000	2008
<b>Occupational Categories</b>						
Professional & Technical, Executive & Managerial	34	35	34	33	36	38
Sales, Administrative Support & Clerical	26	24	21	26	26	24
Construction, extract and maintenance	7	8	9	8	12	11
Production, transportation and material	12	8	10	20	12	12
Service workers	20	25	26	12	13	15
Farm workers	2.0	0	0	1	0	0

Source: U.S. Census

Table 5.6 shows changes in these occupational categories between 1990 and 2008. There have been declines in the higher paid occupations such as professional, technical, and managerial (5% decline as percentage of total occupations) and increases in lower paid occupations such as service work (6 % increase as percentage of total occupations). The remaining occupations are fairly stable.

**Table 5.6** Average Census Tract Percent Change in Main Occupations

	2000-1990	2008-2000	2008-1990	2000-1990	2008-2000	2008-1990
Professional & Technical, Executive & Managerial	+1.	-1	0	+3	+2	+5
Sales, Administrative Support & Clerical	-2	-3	-5	0	-2	-2
Construction, extract and maintenance	+1	+1	+2	+4	-1	+3
Production, transportation and material	-4	+2	-2	-8	0	-8
Service workers	+5	+1	+6	+1	+2	+3
Farm workers	-2	0	-2	-1	0	-1

Source: U.S. Census, American Community Survey

Table 5.7 shows employment by main industry categories as defined by the census and Table 5.8, change trends since 1990. Growth is apparent in the lower paid industries and stagnation or decline in the better paying industries. The largest industries in the city are education, health and social services (32 percent of all employers). Likewise, this is the largest group of employers in the county of Galveston (22 percent). The second largest group of employers for the city are arts, entertainment, recreation, accommodation and food services or tourism (20 percent) is the fastest growing industry (rate of increase is 8 percent since 1990). To be frank this is the only fast growing industry. Professional and managerial are growing as well, but as of yet, they are only a small portion of all jobs available. Retail trade is the third top industry but it is swiftly declining

both in the city and in the county. The county shows a little more diversity with a stable set of profession, managerial and administrative employers, construction, manufacturing and retail trade.

**Table 5.7** Average Census Tract Percent of Main Industry Employment

	City of Galveston			Galveston County		
	1990	2000	2008	1990	2000	2008
Agriculture, forestry fishing, hunting and mining	3	1	1	3	2	2
Construction	5	5	6	9	8	8
Manufacturing	6	4	4	19	15	13
Wholesale trade	3	2	2	4	3	3
Retail Trade	17	10	9	16	11	9
Transportation, warehousing and utilities	4	4	4	5	6	6
Information	1	2	1	3	2	1
FIRE (finance, real estate, insurance)	7	6	7	5	6	7
Professional, scientific, management, administrative	3	6	7	7	9	11
Education, health and social services	33	36	32	18	21	22
Arts entertainment, food services, accommodation,	7	15	20	1	7	8
Other services	6	5	4	6	4	5
Public administration	4	5	4	4	6	5

Source: U.S. Census, American Community Survey

**Table 5.8** Average Census Tract Percent Change in Main Industry Employment

	City of Galveston			Galveston County		
	2000-1990	2008-2000	2008-1990	2000-1990	2008-2000	2008-1990
Agriculture, forestry fishing, hunting and mining	-2	0	-2	-1	0	-1
Construction	0	+1	+1	-1	0	-1
Manufacturing	-2	0	-2	-4	-2	-6
Wholesale trade	-1	0	-1	-1	0	-1
Retail Trade	-7	-1	-8	-5	-2	-7
Transportation, warehousing and utilities	0	0	0	+1	0	+1
Information	+1	-1	0	-1	-1	2
FIRE (finance, real estate, insurance)	-1	+1	0	+1	+1	+2
Professional, scientific, management, administrative and waste management services	+3	+1	+4	+2	+2	+4
Education, health and social services	+3	-4	-1	+2	+1	+3
Arts entertainment, food services accommodation	+8	+5	+13	+6	+1	+7
Other services	-1	-1	-2	-2	+1	-1
Public administration	+1	-1	0	+2	-1	+1

Source: U.S. Census, American Community Survey

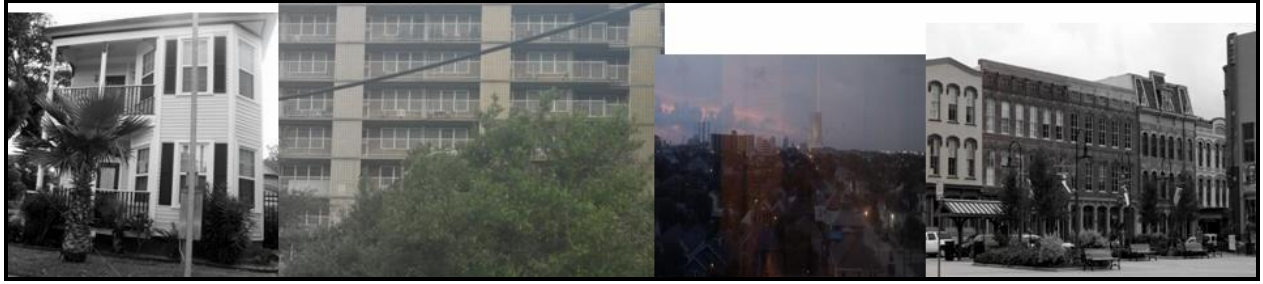
Overall what these tables show is a trend towards a bifurcated job and industry structure with a rise in the city and the county of high paid, high skill jobs and low wage, low skill jobs, mainly in tourism. At the same time, a greater share of the high skilled jobs, particularly in manufacturing, can be found in the county, even though both the city and county have experienced a loss in this sector, which is consistent with national trends. What this suggests is that the county can more easily accommodate higher skilled job seekers than the city.

Low wage jobs have increased on the Island because of the growth in tourism which has become one of the most important components of its economy. In fact, the Galveston Recovery Plan (2009) noted the relevance of tourism for the Island, stating that in 2007, 5.4 million people visited the Island, and that the tourism industry employed more than 30 percent of Galveston's workforce. Since 1994, the economic impact from tourism has grown annually by 3.1 percent. In 2007, the total economic benefit to Galveston from the tourism industry was \$561.4 million. The Recovery Plan cites a recent report prepared by Angelou Economics, which named tourism as one of Galveston's most important economic engines. More than 5 million tourists visited Galveston in 2007. They spent \$561 million on the Island. This figure does not include the \$14.9 million in revenue for the city or \$191 million dollars in wages paid to employees of the tourist industry, which provides 30% of the jobs in the city. Financially tourism continues to benefit the city in a number of ways and in order for it to continue to grow a low wage workforce is needed.

#### *5.4. Summary*

Trends across demographic and economic dimensions highlight a number of issues very relevant to the debate about rebuilding public housing. First, demographic trends since 1970 indicate that the decrease in the white population in the city was identical to that in the county. Likewise the racial composition in both was and remains quite similar. Thus, the population composition of the city has only experienced modest shifts over the last four decades. Second, socioeconomic trends indicate that since 1970 the city has had double the poverty rate of the county as it does today, and that both the city and the county have experienced increases over the last four decades. In addition the city's poverty rate is similar to that of Houston and post-Katrina New Orleans, but less than that of Atlanta. Third, the occupational and industry structure of the city and the county are consistent with broad national changes since 1970: high skilled manufacturing jobs have decreased; high skilled professional jobs have increased modestly; and low skilled (low wage) service jobs have experienced a substantial increase. While it is clear that the current occupational structure of the county is better able to accommodate a highly skilled workforce, it is important to note that the tourism industry in the city is growing and brings a significant amount of revenue to the city.





## 6.0 Analysis of Housing Trends and Reports

### 6.1 National Housing Trends

According to the Joint Center for Housing Studies (JCHS) 2008 annual housing report, homeowners are shifting to the rental market nationwide. Over 60 percent of renter growth between 2000 and 2009 involved 45-64 year olds. While the median age of renters has been on the increase, the desire for housing complexes comprised of 10 or more units has declined in favor of stand alone rental houses and townhomes. Involved in this is the fact that many middle-class Americans are finding it difficult to purchase and maintain a home in the current housing market. This is putting a strain on the affordable rental market.

According to another JCHS report (2010) the nation is still struggling through its worst housing bust on record since the 1970s. At the same time, HUD reports that the rate for severely inadequate housing has been on a slow decline since 1995 going from 2.1 to 1.6 percent over a 12 year period (2008). The national rate for moderately inadequate housing for 2007 is 3.6, which is a decline from 1995-1997 rates of 4.5 and 5.6 percent respectively. But these declines are due to demolition of the low income housing stock overall rather than a fixing up or replacing of low income housing stock. While demolition has reduced inadequate housing, there have not been policy initiatives to replace these units and thus the need for affordable housing keeps increasing.

In fact, between 1995 and 2005, the supply of affordable rental housing for very low income households declined by 17 percent (JCHS, 2008). This decline is twice the rate of for any other kind of rental housing. The Low Income Housing Tax Credit (LIHTC) Program -- a program that provides funding for new construction of low income housing -- has not offset this decline even in recent years. The consequence of this decline has been a 2.7 percent increase in rents. This pushes more families into the housing burdened category.

In addition, the JCHS 2010 report notes a nationwide increase in the number of severely-burdened households -- defined as those paying more than half their monthly income on housing -- from about 14.9 million households in 2001 to about 18.6 million in 2006 (an increase from 12 to 16 percent). These are working poor. More than a quarter of severely-burdened households have at least one full-time worker and 64 percent have at least one full- or part-time worker. Even households with two or more full-time workers are not exempt, making up fully 19 percent of the severely burdened (JCHS 2008). Because rents are not capped at 30 percent of monthly income for those with subsidized housing, half of these renters are paying more than 30 percent of income for their housing (JCHS 2010).



Having families that spend half or more of their income on housing hurts local economies in other ways. In 2006, severely-burdened households with children at the bottom-expenditure quartile had only \$548 per month on average for all other needs. As a result, these families spent 32 percent less on food, 56 percent less on clothes, and 79 percent less on healthcare than families with low housing outlays (JCHS 2008).

## 6.2 Galveston Housing Trends

The City of Galveston has not been immune to these national trends and may even be suffering more than other cities. A simple comparison between Galveston and Houston housing trends is telling. Table 6.1 presents data from the 2000 census that shows that there are just over 30,000 housing units in Galveston compared to 782,000 in Houston. Both Galveston and Houston have low home ownership rates, 43.6 percent and 45.8 percent respectively, which is low by U.S. standards. Nor is there a large difference in housing values between the two cities, Galveston: \$73,800; Houston: \$79,300. Galveston households have a median income of \$28,895 compared to Houston's \$36,616. Furthermore, 22 percent of Galveston's population is living below that poverty line; that is almost 1 in 4 persons. In Houston, 19 percent of the population lives below the poverty line or just less than 1 in 5. This means that the median housing value is too high for Galveston's population. Galveston has a stagnating economy and Houston's is still growing. The person per square mile figures suggests that Galveston is artificially increasing their home values by keeping the housing stock supply too low. There are only 1,240 persons per square mile in Galveston compared to Houston's 3,371 persons per square mile. Thus, Galveston should consider increasing the housing supply, which should in turn reduce rents and housing costs

**Table 6.1.** Housing Comparison between Galveston and Houston

	Galveston	Houston
Housing units, 2000	30,017	782,009
Homeownership rate, 2000	43.6 %	45.8 %
Median value of owner-occupied units, 2000	73,800	79,300
Median household income 1999	28,895	36,616
Persons below poverty, 1999	22.3 %	19.2 %
Person's per square mile, 2000	1,240.5	3,371.7

Source: U.S. Census

Table 6.2 show housing trends for the City and county of Galveston since 1970. There is a greater decline in occupied housing on the Island compared to the county. Both, however, show a decline between 2000 and 2008. As of 2008 the city had 33,439 housing units. Of the 68 percent occupied, approximately 44 percent were owner occupied, and 56 percent were renter occupied, leaving 32 percent vacant. At the county level in 2008, there were 97,633 housing units, with 86 percent occupied and 14 percent vacant. Of the occupied units, 73 percent were owner occupied and 27 percent were renter occupied. Clearly there appears to be more renter opportunities on the Island than in the county.

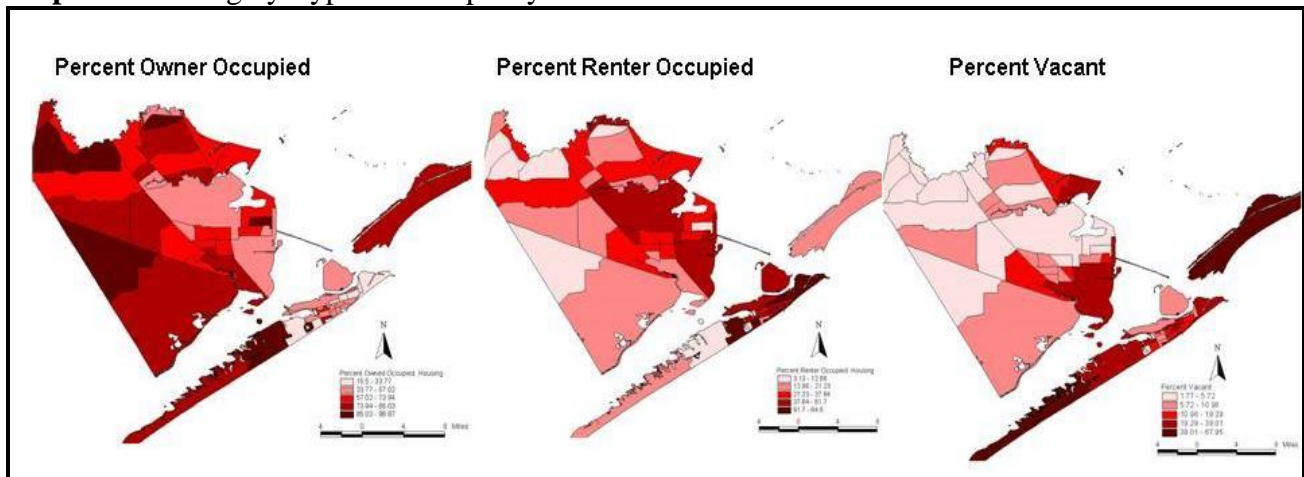
**Table 6.2** Average Census Tract Percent, Housing Trends

	City of Galveston					Galveston County				
	1970	1980	1990	2000	2008	1970	1980	1990	2000	2008
Total Housing	27,726	27,931	37,366	37,351	33,439	33,990	49,484	62,085	74,382	97,633
Percent Occupied	84	90	76	79	68	91	89	89	91	86
Percent Vacant	16	10	24	21	32	9	11	11	9	14
Percent Owner Occupied	55	49	46	49	44	76	77	70	72	73
Percent Renter Occupied	45	51	54	51	56	24	23	30	28	27

Source: U.S. Census

Map 6.1 shows the spatial organization of type of housing occupancy as of 2000 in the city and the county. This clearly demonstrates the differences between the city and the county: both renter occupied and vacant housing are more prevalent in the city than in the county.

**Map 6.1.** Housing by Type of Occupancy



Source: U.S. Census

Table 6.3 shows the trends in housing occupancy and vacancy since 1970. Between 1970 and 2008, the percent of occupied housing decreased by 16 percent in the city. This is three times as much as the county, which experienced a decrease in occupied housing of 5 percent. Owner occupied housing in the city decreased by 11 percent during that same time period but only by 3 percent in the county. At the same time renter occupied housing increased in the city by 11 percent and in the county by 3 percent. This clearly illustrates that there are more renter opportunities in the city than in the county. However, because of the higher vacancy rate in the city, this suggests that unsubsidized rents may be higher than the federally established Fair Market Rate (FMR) because of the lack of quality affordable housing on the Island.

**Table 6.3** Average Census Tract Percent Change, Housing

	City of Galveston					Galveston County				
	1980-1970	1990-1980	2000-1990	2008-2000	2008-1970	1980-1970	1990-1980	2000-1990	2008-2000	2008-1970
Total Housing	-205	9,534	-15	-3,912	5,402	+15,494	+12,601	+12,297	+23,251	+63,643
Percent Occupied	+6	-14	+3	-11	-16	-2	0	+2	-5	-5
Percent Owner Occupied	-6	-3	+3	-5	-11	+1	-7	+2	+1	-3
Percent Renter Occupied	+6	+3	-3	+5	+11	-1	+7	-2	-1	+3

Source: U.S. Census. (Note owner occupied is based on occupied units.)

## 6.2 Galveston Housing Plans and Studies

Over the years, Galveston has expended considerable effort to analyze and improve their housing and population situations. The Galveston Comprehensive Plan went into effect in 2001, prior to Hurricane Ike. In 2009 the Urban Land Institute evaluated the land use challenges of Galveston post-Ike and made several housing recommendations. The Galveston Recovery Plan (2009) provides an extensive examination of the needs of Galveston after Hurricane Ike. It focuses on infrastructure, the economy, service and housing needs. Lastly the Galveston Housing Market Study completed in 2010, provides a detailed assessment of existing and future housing needs. Given that Ike caused some level of damage to 75 percent of housing on the Island, the Galveston Comprehensive Plan is now somewhat outdated.

**6.2.1 The 2001 Galveston Comprehensive Plan.** The Galveston City Council initiated a plan in 1999 that became the Comprehensive Plan by 2001. At the time, the plan could be thought of as a 20 year “to do list”. The plan notes the following housing problems: (1) the existing stock of housing is older and in highly variable condition as well as occupancy; (2) deteriorating and overcrowded housing are problematic and due in part to a lack of investment in property by absentee landlords; and (3) there is a high level of renter occupied rather than owner occupied housing, which in some areas has compromised the stability of the neighborhood. The plan recognizes the need for new and infill housing, but prioritizes the preservation of its older structures. It recommends that, “The City should also continue to marshal all available state and federal resources, as well as local corporate and institutional funding sources, to rebuild public housing and offer new housing choices to low-moderate income households in mixed-income neighborhoods” (page 23).

There are four housing objectives presented by the report. First is to expand the supply of middle income housing. The second objective is to revitalize existing housing stock in the historic districts. One strategy offered to reduce the level of deterioration is to increase code enforcement. Another strategy is to take advantage of state and federal funds for historic preservation. A third objective is to expand housing choice for low-to-moderate income households in order to strengthen neighborhoods. Strategies include pursuing federal Housing Opportunities for People Everywhere (HOPE VI) funding to build mixed-income communities, creating public-private partnerships, and following the lead of the GHA in creating incentives for

homeownership for low-to-moderate families. The fourth goal is to develop housing to fit unique Island characteristics and to fit special populations such as those looking for retirement communities. Strategies include an assessment of the West end and what is needed to preserve the natural environment, creating east end flats, beach town development, and downtown housing.

**6.2.2 The Urban Land Institute Advisory Report.** The Urban Land Institute (ULI), a nonprofit research and educational organization, prepared a report in 2009 on strategies Galveston can implement in order to increase housing demand, and attract middle class residents. They note some of the problems that Galveston is facing in terms of housing. First, housing options are limited on the Island. There is a high level of vacant housing (28 % as of 2007 or 9,000 units), a high level of renters versus homeowners, and about 17,000 housing structures are in some level of disrepair. This report also notes that Galveston currently has a mismatch between workers residing on the Island and type of housing available.

ULI provides several solutions for Galveston's housing problem or directions for Galveston's future. First, they suggest that having a better mix of housing types and price points will strengthen Galveston's competitive advantage. The large number of vacant and abandoned lots provides an opportunity to create the needed housing. The report suggests an overall stimulus plan that includes fixing up 17,000 homes, building 2,000 additional homes (not public or subsidized housing) beyond the 569 replacement public housing units in a 3-5 year span. They further suggest using local labor which will create a skilled construction labor force. This could yield a lower middle class population from the existing population which in turn could lead to increased homeownership. ULI, like the comprehensive plan, argues for building for special populations, empty nesters, faculty/students, among other niche markets. Other strategies include the city working with employers to develop incentives for employees to live on the Island, and use HUD HOPE VI funds to develop mixed income communities.

**6.2.3 The Galveston Long Term Community Recovery Plan (2009).** The Galveston Recovery Plan directly addresses issues the city is facing because of Ike. The plan states that Ike caused enough damage to leave approximately 1,400 families displaced and resulting in more than 29,000 requests for individual assistance from FEMA. Due to costs of repair or replacement, many citizens have abandoned their homes. Abandoned housing will place added strain on an already existing large demand for housing affordable to all economic groups.

The plan has three high impact goals for housing. First, they suggest developing a home repair/ownership program for low-to-moderate income families so that ownership can be retained or newly gained. The second goal is to create scatter-site public housing out of Galveston's existing stock of historic older homes. Forty-three percent (14,300) of the city's housing units were constructed prior to 1960. Such houses, rehabilitated according to the city's design standards for historic properties and the Secretary of the Interior's standards for the treatment of historic buildings, could serve as subsidized scattered-site housing. There are neighborhoods that are mixed in terms of mansions, cottages and shotgun homes built prior to 1960. The goal is to pilot it first by renovating two units at a cost of \$500,000.

The third goal concerns making residential code enforcement more effective. Given the large number of homes that are not code compliant, the desire to promote tourism and make the Island

more attractive to the middle classes, as well as the relative low cost of hiring permanent code enforcement staff, it is somewhat surprising that more specifics weren't provided.

**6.2.4 The Galveston Housing Market Study (2010).** The Housing Market Study (HMS) produced by CDM in 2010 provides more specific information on the housing situation in Galveston. HMS begins by examining the county property rolls. They find that there are 18,625 residential parcels in the city and that 93 % of them are single family. HMS also finds that approximately 44 percent of the housing stock was built before 1960 compared to 15 percent in the County. At the other extreme, they find that just 10 percent of the City's stock has been built since 1990 while 40 percent of the county housing stock was built since 1990. Thus, the housing stock is homogeneous and old.

Half of the single family homes have Homestead exemptions suggesting owner occupied status. HMS found that Hurricane Ike's impact reduced the supply of housing on the Island which, in turn, prompted an increase in price. This stabilized as housing was renovated. Price has declined by 41 % and the market study attributes this to the poor economy, but also to lower quality homes on the market. The West end has most of the seasonal housing and 81 percent of residential parcels are located in the "100 year" flood zone, which demonstrates the riskiness of living on the Island.

Like the rest of the country, homeownership is declining in Galveston. There are 12,704 occupied rental units on the Island; and a rental vacancy rate of 16.9 percent (2,560 units). Despite this high vacancy rate, rents have increased 13 % to an average of \$804.00. The Market study attributes this rise in rents to the renovation of units available, and suggests the high vacancy rate is due to economic conditions. This makes little sense in terms of basic economics, however. Landlords cannot generally afford to leave homes empty and, when the supply outstrips the demand, rents typically decrease in order to entice renters. The report also notes that a survey conducted by city inspectors found 2,371 problematic properties; 713 were classified as vacant lots, 1,033 were abandoned, 177 were boarded but maintained, and 1,613 exhibited some other form of code violation. This suggests that the supply does not outstrip the demand; the supply is actually much lower than census figures suggest due to the compromised nature of much of the housing supply. Thus, an alternative and more likely explanation is that the demand for affordable rental housing is actually outstripping the supply.

HMS notes that there are 5,256 parcels located throughout the Island classified as vacant. They are scattered throughout the Island but many are clustered in the downtown area. Public entities own approximately 170 vacant parcels on the island and 118 of these are located downtown. The city owns a total of 82 vacant parcels and 42 of them are centrally located. This suggests there is plenty of room for private developers to operate because the majority of the parcels are not publicly owned. This has been the case for several decades now, yet the private market has not taken advantage of the situation. This suggests that private developers may consider investment on the Island as too risky.

Finally, the HMS report also found that 4,975 of Galveston's households are severely house-burdened and thus eligible for some form of housing assistance yet not receiving it. This number increases to 9,183 households when considering eligibility for assistance based on income alone, suggesting that the city has a serious undersupply of affordable housing for low-income and working class residents.



**6.2.5 Assessing the Plans** All of the plans note a need to increase the supply of housing on the Island, as well as to encourage home ownership. There is recognition that middle income families want newer housing. Most of the plans recognize that the private market either can't or won't develop without incentives from the public sector. All of the plans note that the existing housing stock is old and homogeneous. Several plans call for the renovation of the existing older stock. The comprehensive plan does not specify focusing on a particular income group, but the recovery plan targets low income groups. This may not be the appropriate group to target as they may not be able to afford the costs associated with historic properties; older homes are not as energy efficient as new homes, meaning that the utility costs will be higher. This can lead to being house-burdened for very low income families. Preserving history is important as long as it does not contribute to a declining economy.

There is another issue related to property ownership that is being ignored: insurance. The Texas Department of Insurance (TDI) compiled a report from its Hurricane Ike Data Call (2009). The data are based on claim activity up to about ten months after Ike. Texas insurance companies reported receiving 68,102 residential insurance claims from Galveston County. Of these claims, 68 % were settled, 4 % were still open and 28 % were closed without payment. On average, it took 3 months to receive a settlement and the average amount paid out was \$10,102.

For commercial property, Texas insurance companies received 4,419 claims of which 55 % were settled, 10 % of claims are still open and 34 % were settled without payment. The average amount paid was \$81,395. This is almost twice the average commercial payout for the other Texas counties. In addition, prior to Hurricane Ike, Texas insurance companies held assets that approximately equaled their liabilities. Post-Ike, their liabilities exceeded their assets by approximately \$190 million. This led to a substantial increase in premiums. All of this suggests that homeownership on Galveston Island is quite risky for the working and middle classes (not to mention businesses).

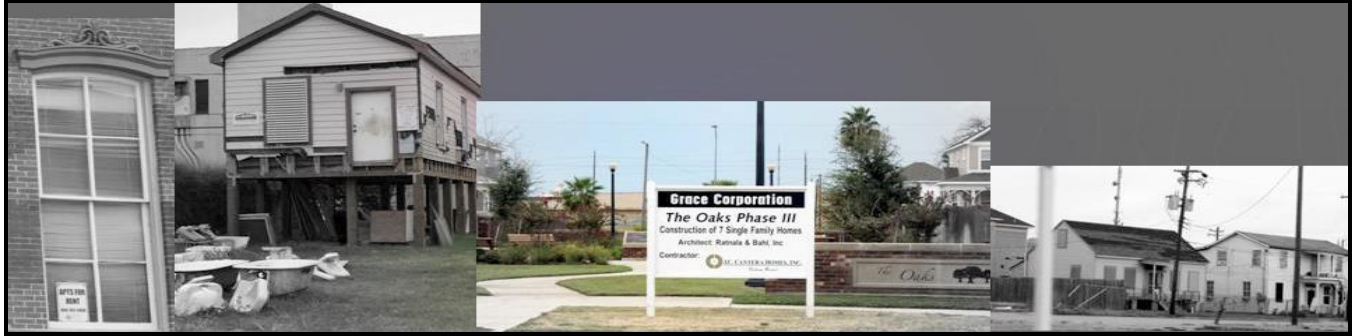
Among all the plans there is recognition of the high levels of vacant properties and strategies to partner with private and nonprofits developers to renovate or build new properties on these vacant parcels. The 2001 comprehensive plan does not depend on the private market to achieve any of its goals. In fact, the plan places importance on searching out all possible sources of public funding including federal and state dollars to achieve its goals. ULI and the recovery plan also discuss seeking public funding to improve the housing situation on the Island. There appears to be an understanding that Galveston cannot depend on the private market, rather the public sector needs to be actively involved if the goals are to be met.

### **6.3 Summary**

Housing trends in the city indicate an increase in rental and vacant properties, as well as an increase in substandard rental housing. At the same time the county has experienced an increase in owner-occupied housing. Thus, the availability of rental housing is far greater on the Island than in the county. At the same time, increasing vacancy rates suggest that rent prices have been driven up which potentially impedes the economic well-being of low and moderate wage earners in the city. Most of the plans gloss over the needs of renter households. The large proportion of house-burdened residents is given short shrift. The need here is extensive and will not disappear unless it is addressed. In addition, the comprehensive plan appears to have mixed intentions toward public housing. It proposed to rebuild public housing in one objective and then to limit it

in another objective. One interpretation of this goal is that by maintaining the current level of public housing, it can continue to be well-maintained, thus adding to the viability rather than the decline of neighborhoods.



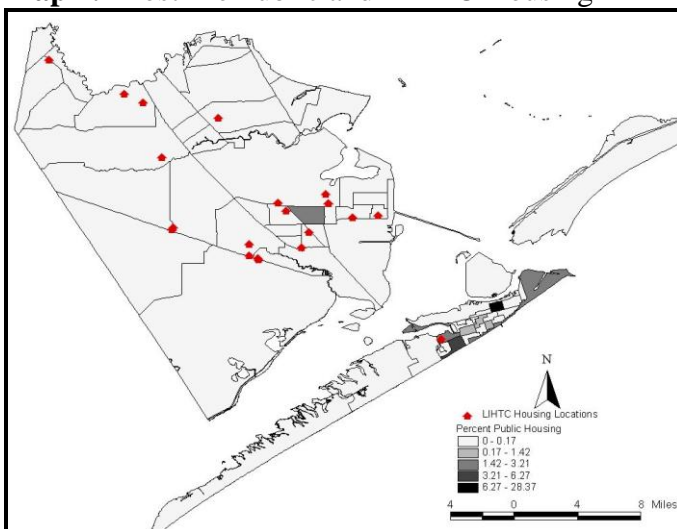


## 7.0 *The Spatial Organization and Neighborhood Characteristics of Housing*

### 7.1 *Spatial Organization*

One of the concerns about rebuilding public housing on the Island is that it will further concentrate subsidized low income housing; housing, opponents argue, that is already geographically concentrated. To be more in line with the public housing transformation policies implemented in other cities around the country over the last two decades, opponents recommend a county-wide approach to the provision of low income housing. Public housing (also called Section 9 under the Housing Act of 1949) is just one of a number of government low income housing programs. The Housing Choice Voucher and the Low Income Housing Tax Credit (LIHTC) programs are also notable initiatives. The Housing Choice Voucher program subsidizes private rental housing for qualified low income households. The LIHTC program provides tax credits to private developers to construct low income housing. The opposition to rebuilding public housing on the Island does not take into account the spatial organization of these other programs. Map 7.1 shows the post-Ike location of public and LIHTC housing in the city and county.

**Map 7.1** Post-Ike Public and LIHTC Housing

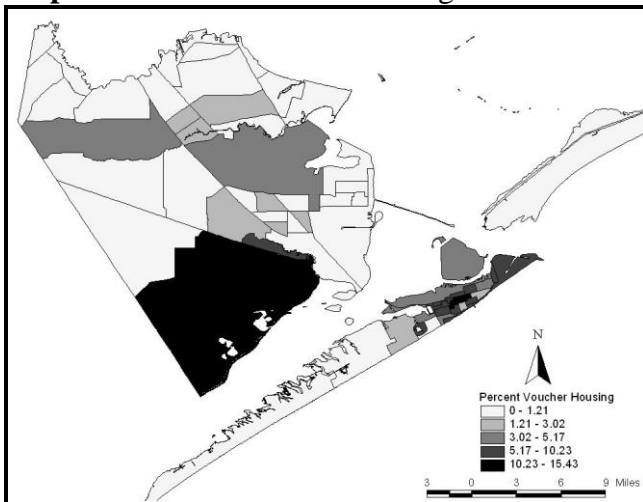


Source: GHA

While it is apparent that the city has almost all of the public housing, totaling approximately 330 units; the county has the vast majority of the LIHTC housing. There are 2461 LIHTC developments in the county and 288 in the city. In neither the city nor the county does either public or LIHTC housing consist of the majority of rental units. In fact, there is only one census tract in the city with over 6 percent of the population living in public housing and that is where the senior high rise is located. Therefore, in relative terms, high concentration of public or LIHTC housing is not apparent at the neighborhood level. The GHA's plan to rebuild 569 public housing units, 179 of which will be scatter-site, will not alter the current distribution within the city very much or in a detrimental way.

Map 7.2 shows the spatial organization of Housing Choice Voucher units administered by the GHA. It is important to note that voucher units administered by the Houston Housing Authority are present in Galveston County as well, but not represented in this map.

**Map 7.2** Percent Voucher Housing



Source: GHA

Map 7.2 clearly shows that there is spatial concentration of voucher housing both in the city and county. In other words, there is not a 'fair share' distribution across both, which is consistent with voucher housing distribution in other cities and metropolitan areas around the country. The location of voucher housing is largely driven by where the rental housing is as well as landlord choice (private market landlords are under no obligation to accept voucher tenants).

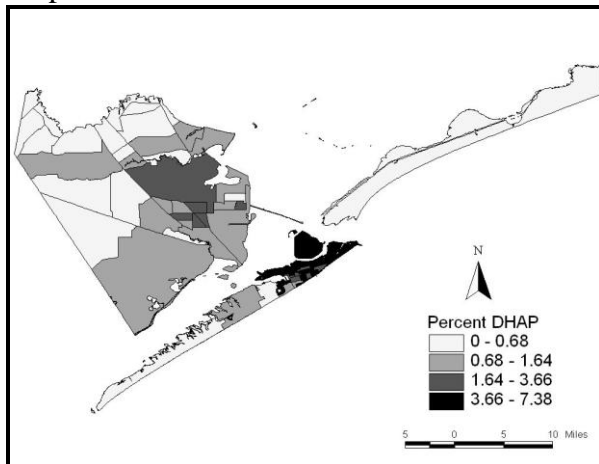
Opponents to rebuilding public housing contend that it will increase the low income population on the Island, the underlying assumption being that this population left after Ike. However, an examination of where residents receiving Disaster Housing Assistance (DHAP) are located indicates otherwise. The DHAP program was begun in 2007 through an interagency agreement between HUD and FEMA and provides a subsidy (similar to a voucher) to qualified households who have been displaced by a natural disaster. Families and individuals who received rental assistance through FEMA immediately following a disaster, and were living in private rental units, are eligible for this program.

Post-Ike FEMA estimates of the number of families and individuals eligible for DHAP assistance was 6973. A comprehensive needs assessment was conducted by the GHA on these

families and individuals. In the end, over 3600 households on the Island received DHAP assistance, including all displaced public housing residents, as well as those displaced from voucher housing. Although low income is not an eligibility requirement for DHAP, those that are above federally-established poverty thresholds can only receive assistance for six months. However, because of where Ike caused the most damage on the Island, the majority of residents who ended up receiving DHAP were low income. Thus, examining where those households that received DHAP assistance ended up provides a good proxy for how many low income families and individuals remained on the Island and how many left.

Map 7.3 shows the spatial organization of DHAP households (computed as percent of renter occupied housing) by census tract as of July 2010.

Map 7.3 Percent DHAP



Source: GHA

What's most striking here is that the majority of residents receiving DHAP assistance have remained on the Island, suggesting that low income households did not disperse throughout the county. In other words, the low income residents opponents claim left the Island after Ike in fact did not. Therefore, not rebuilding presents a potential strain on an already compromised affordable private rental housing market.

## *7.2 Neighborhood Characteristics*

A core argument driving national policies to demolish public housing is that it deconcentrates poverty. The underlying assumption is that relocating public housing residents with voucher subsidies to private market rental housing will create a more equitable economic and racial mix. In post-Katrina New Orleans local government officials, national policy makers and eminent academic figures alike commented on how the storm damaged public housing provided an unprecedented opportunity to deconcentrate poverty and therefore should be torn down. Although, more recently, HUD has issued a rather scathing report of the Housing Authority of New Orleans' public housing transformation efforts, the objective of deconcentrating poverty continues to frame national housing policies focused on public housing. Since the mid-1990s over 150,000 public housing units have been demolished across the county. By early 2010, Atlanta had become the first city in the nation to eliminate all of its public housing and San Diego moved much closer to its goal of a voucher subsidy only program.

The widely accepted definition of what constitutes concentrated poverty is a neighborhood, usually defined as adjacent census tracts, with 40 percent of households living at or below the federally-established income-based poverty line. Much of the extant research conducted in cities across the nation has consistently shown that such neighborhoods have most of the public housing and are very racially segregated. In the midwest, northern and southern regions such neighborhoods tend to be majority black. For example, in Atlanta public housing neighborhoods had an average of 44 percent poverty and were more than 80 percent black. Likewise, Chicago's infamous Robert Taylor Homes, comprising 28, 16 story buildings and spanning a two square mile area, were located in six of the poorest census tracts with populations over 2500 in the country. The population of the Robert Taylor Homes neighborhood was 96 percent black. The similar neighborhood characteristics of the city's Cabrini Green project resulted in several Fair Housing lawsuits. Opponents to rebuilding in Galveston argue that such an effort could result in a similar lawsuit.

So how do the neighborhood characteristics of Galveston's public housing compare? Table 7.1 shows the average census tract characteristics of public and subsidized housing as of 2000 in the city. What this table reveals is that the average census tract characteristics of all types of subsidized housing, including public housing, do not come close to the degree of poverty and segregation apparent in such neighborhoods in other cities. In fact, these tracts are on average more than 40 percent white, less than 30 percent black, and have a poverty rate hovering around 25 percent – a rate just slightly higher than the city's average.

Table 7.1. Average Census Tract Characteristics for Subsidized Housing, Galveston City

	Pre-Ike Public Hsg	Pre-Ike Voucher	Post-Ike Public Hsg	Post-Ike Voucher	DHAP Hsg
Total Population	2754.00	2625.00	2866.00	2613.00	2683.00
% Black	27.38	28.95	24.91	28.15	26.88
% Hispanic	26.05	26.76	27.74	26.46	25.35
% White	43.69	41.16	44.87	42.07	44.36
% Rental	62.79	53.77	61.79	55.10	53.05
% Poverty	26.77	25.00	21.23	24.69	23.40
% Unemployed	9.37	11.41	7.65	11.26	10.73

Source: U.S. Census

What this suggests is that the city's public housing, both before and after Ike, was and is not located in segregated areas with high poverty concentration. As a matter of fact, socioeconomic and racial composition of these neighborhoods is similar to that of the city as a whole.



How does Galveston County compare? Table 7.2 shows the average census tract characteristics of public and subsidized housing as of 2000 in the county. First, it is important to note that the one census tract with public housing in the county is an anomaly since the majority of public housing is in the city. However, it is telling that this tract, unlike those tracts with public housing in the city, is majority black. What Table 7.2 reveals is that poverty on average is lower in the public and subsidized housing census tracts than those in the city in the same manner as the overall county poverty rate is lower. However, compared to the city's spatial organization (public and subsidized housing tracts versus those with none), the county tracts with public and subsidized housing have proportionately higher poverty than that of the county as a whole.

Table 7.2. Average Census Tract Characteristics for Subsidized Housing, Galveston County

	Pre-Ike Public Hsg	Pre-Ike Voucher	Post-Ike Public Hsg	Post-Ike Voucher	DHAP Hsg
Total Population	1571.00	3841.00	1571.00	4546.00	4184.00
% Black	59.01	35.21	59.01	24.00	27.21
% Hispanic	10.63	17.94	10.63	19.76	18.91
% White	27.56	45.26	27.56	54.40	51.66
% Rental	26.06	33.84	26.06	34.09	33.91
% Poverty	19.10	17.50	19.10	14.93	16.94
% Unemployed	11.00	9.05	11.00	6.78	8.76

The racial composition of the county tracts with public and subsidized housing is comparable to that of the city, although there are slightly more whites. In fact, if we look at percent white we see a post-Ike increase of about 10 percent for tracts with voucher housing, and a decrease in poverty by about 4 percent.

### 7.3 Summary

Opponent concerns about the spatial organization of public housing are not substantiated by this analysis. First, while the city has the majority of the public housing, the county has the majority of the LIHTC developments. Second, spatial concentration of voucher housing is evident in the city as well as the county. This is largely driven by the location of rental housing as well as landlord choice. Third, the majority of the city's households who received DHAP housing assistance -- including the displaced public housing residents -- have remained on the Island since Ike. Thus, rebuilding will not cause an influx of low income residents because they never left in the first place. And lastly, the neighborhoods within which public and subsidized housing are located both in the city and the county are not segregated areas of concentrated poverty. They are in fact both economically and racially mixed. What this suggests is that the risk of a Fair Housing lawsuit being successfully litigated against the housing authority is very low.



## ***8.0 Cost-Benefit Analysis of Post-Ike Plans***

### ***8.1 Introduction and Contextual History of Public Housing in U.S.***

The GHA has created a plan to rebuild the 569 public housing units destroyed by Hurricane Ike. This plan has been approved by HUD, the state housing commission, and the City Council. However, there has been some persistent local opposition. Some of the opposition argue that it should be private developers creating affordable housing in Galveston (housing for low-income and very low-income households), not public entities such as the GHA. In general, proponents of free market economics prefer to have the “market” play a central role in meeting the housing needs of a local area. But the market does not always meet the needs of the people. This is known as a “market failure”. Private developers cannot make a profit building low income housing. Consequently, they build high end housing.

As high growth industries currently do not pay high salaries, this market failure is creating an affordable housing crisis in the United States that is becoming more severe. There have been several solutions over time to address this market failure. Public housing projects were the first solution. They were considered ideal at a time when most of the rental housing stock was substandard and a health hazard. Public housing created a healthy alternative. To compete with public housing, landlords had to fix up their own rental units.

By 1960, legislation regarding public housing changed from providing housing for the working poor to housing the very poor. This decision meant that residents’ rents were not sufficient to keep up the housing stock. Housing authorities needed subsidies to keep the projects going. When federal budgets were slashed in the early to mid 1980s, most public housing authorities did not have the funds to adequately maintain their housing stock. An alternative housing plan was brewing: create subsidies that are not tied to the housing stock. Portable vouchers are desirable for several reasons, they shift the burden of housing stock upkeep onto the landlord, residents can choose where they want to live and move if they want to—or can afford to, and the city does not lose out on tax revenues due to public ownership of project based housing.

Scatter-site public housing is another solution to the problems found in most project based housing. By scattering public housing, concentrated poverty is diminished; all economic classes live side by side and can take advantage of the diversity that that offers. Scatter-site housing is also tax exempt housing and if there is a 1 to 1 ratio between the site and the taxable parcel, it has the potential to cost a city more than project-based public housing in terms of tax revenues lost. It also has the potential to cost the housing authority more as it takes more staff to maintain housing scattered all over the city. Housing authorities need to balance the amount of scatter-site housing with their allowable maintenance budgets.

A cost benefit analysis is beneficial in answering the question: in what form and where should the 569 units be rebuilt? There are four proposed plans that utilize various aspects of housing subsidies that have been created over time. This report will analyze each of them in terms of their costs and benefits. To make an informed decision on the best plan, all costs and all benefits need to be considered. A cost benefit analysis (CBA) is an economic tool designed to address the costs and the benefits of a social program, aligned with the values people place upon it. Welfare economic theory is about making choices between the social desirability of alternative policies and the most efficient allocation of resources. Efficiency and social desirability do not always mesh. A CBA can be used to assess whether a (housing) project contributes to an increase in the general welfare of society or not. It does this by clearly identifying and quantifying in money terms the full range of costs and benefits of a housing project, over the entire life cycle of the project (40 years in the case of a housing project). The costs and benefits included are both direct ones, (such as the cost of building the house), and indirect ones, (such as the benefit of workers living near their jobs). It addresses what economic impacts affordable housing has for households, for the local government, and for the local economy.

The advantages of the CBA approach needs to be balanced against some of its inherent limitations and restrictions. While it adds a valuable economic perspective to decision making, it does not replace the decision making itself, which should still contain other equally critical political and social considerations. Of necessity, a CBA simplifies reality and uses assumptions. While it attempts to include the most critical factors in these assumptions, assumptions are by their nature generalized.

### ***8.2 Costs and Benefits Associated with public Housing and Voucher Subsidies***

The various costs and benefits and who pays or receives these cost and benefits are presented in Table 8.1. When building new public housing or scatter-site housing, there are land acquisition costs, demolition and building costs or renovation costs. There are also costs associated with maintaining the project over the life of the structure. These are costs to the federal government. That is, the federal government provides the funds to the local housing authority, thus, while it is an expense to the federal government, it is a benefit to the local community. New construction should be more efficient in terms of utility costs and should have an estimated life span of 40 years. Renovated property maintenance and utility costs will depend in part on the quality of original construction and its age. It may or may not have a 40-year life span. Utility costs may be comparable to new construction, but rarely will they be better. The federal government gives local housing authorities a budget to pay for maintenance costs. Thus, this is a boon to the local economy unless the maintenance costs exceed the budget provided. This is something to consider in the decision to use new construction versus renovated structures. This is also important when considering scatter-site versus public housing. Maintenance costs are estimated to be about 20 percent higher for scatter-site compared to public housing. Utility costs are also higher and are subsidized at about 83 percent by the federal government. This means the local housing authority might exceed its budget which in turn, could have negative effects on the local economy—for example, not hiring as many maintenance workers as are actually needed.

Opportunity costs associated with building public housing exist. Housing authorities do not pay taxes on land owned. Instead, they pay PILOT or payment in lieu of taxes, which amounts to a percentage of subsidies received less utilities paid. This amount is usually much less than the taxes on the property would be if it were privately owned. Utilities are higher with scatter-site

housing, thus, replacing project based public housing with scatter-site housing could reduce the PILOT paid to the city. This is a good reason to balance the amount of scatter and project-based housing. Another potential opportunity cost would be residents leaving the city because they do not want to live near public housing projects. It is difficult to assess the degree to which this happens and what the cost to the city would be.

**Table 8.1.** Costs and Benefits of Public Housing

Costs		Benefits	
Land costs	HA FED	Rent subsidy to bottom quartile of renters	City, local economy
Building costs	HA FED	Hire local people / firms to administer and maintain public housing	City, local economy
Maintenance costs	HA FED	Benefit to low wage, high growth industries. Subsidy allows workers to live and work where they otherwise would not	City, Local economy, companies
Opportunity costs of lost tax revenues	City	Increases supply of low income housing which is in short supply	City/ renters
Opportunity costs of lost residents who don't want to live near public housing	City	Rents do not increase as competition for finite supply of affordable rental housing does not increase	Renters/ city

Benefits include the direct housing subsidy to the renter, which is estimated at \$5,924 annually per household. These funds can then be used within the local economy to purchase other needs and services. A report by Econsult Corp. (2007) finds that housing authorities provide important additions to the local economy in that they directly engage in capital improvement, maintenance and operations, which means they hire local people and local companies. The money to engage in these activities is new money coming into the local economy as the funds come from the federal government. This has both direct benefits on the economy and indirect benefits to the local and regional economies. Econsult Corp. also found that direct operating expenses bring in anywhere from \$3 million to \$40 million annually depending on the size of the city. This is a large boost to a local economy. Finally, they determined that the private market could not provide affordable housing services to low-income families without significant subsidy. Econsult also notes that by subsidizing low wage workers to live in cities near their work, high growth and low wage industries receive an indirect subsidy as well. Not mentioned by this report is the fact that nationwide, affordable housing is on the decline and there are many Americans burdened by paying more than 30 percent of their income on housing. Public housing stock adds to the existing low income housing stock of a city which removes some of the competition among renters for affordable housing, and keeps rents relatively lower for the unsubsidized rental population.

Voucher housing also has associated costs and benefits as can be seen in Table 8.2. It provides the same rent subsidy to the bottom quartile of renters. The apartments they live in, however, are rented on the private market and the owners will pay taxes to the city, so a switch from public housing to voucher based subsidies will increase property tax revenues to the city. Apartments that accept vouchers must be vetted annually by the housing authority and kept up to code at the landlord's expense. Operation and maintenance costs paid by the housing authority came from

federal dollars. Voucher subsidies will still be federal dollars, but a maintenance staff, security staff and operations staff will no longer be supported locally by these dollars. Funds used to maintain, acquire and build will be already existing local economy dollars. There may be reduced hiring of local contractors. Landlords may decide not to fully maintain their properties in order to achieve a higher profit. Or landlords may fix their properties themselves to reduce expenses. Landlords who live off the Island will take their profits off the Island which will have a negative effect on the local economy.

There can be unanticipated costs, as well. If the rental market is tight or there is higher demand for housing than supply of housing, rents will increase for everyone. The renters who do not receive subsidies will become even more house burdened. Thus, the tax cost is shifted from all city residents to other renters. Landlords participate in voucher programs on a volunteer basis. If the housing market is tight, there is no reason for landlords to participate in the program and voucher holders may not be able to find accommodation near where they work. This will drive residents away which may have a negative effect on local companies. Ultimately, the direct benefits to the economy will be reduced which will, in turn, reduce the indirect and induced benefits. Since vouchers have a ceiling on the overall amount they pay out, in a tight market voucher holders may not be able to afford the rising rents. Vouchers work best in soft rental markets, when there is an oversupply of housing and undersupply of renters. This will bring more renters into the local area and benefit the local rental economy.

**Table 8.2.** Costs and Benefits of Voucher Subsidized Housing

Costs		Benefits	
Inspection costs	HA	Rent subsidy to bottom quartile of renters	city
Land, building and maintenance costs	Landlord	Private market landlord pay taxes	city
Higher average rents as competition for rental housing increases (no new housing supply generated)	Renter	Housing supply and maintenance costs transferred to private market	landlords
Increased percent of city population that needs housing help	City	Vouchers are mobile, which gives renters choice to move	renters
Opportunity costs of lost residents who leave due to high rents	City	Social control and maintenance of law and order	city
Local businesses reduced revenues due to lower disposable income of renters.	Local Economy		
Loss of low wage tourism workers who move off Island	City, Local Economy		

### 8.3 Summary of Four Plans

In this section we discuss the four plans that are currently proposed to replace the 569 units and which will be included in the cost benefit analysis. Table 8.3 summarizes how each plan addresses the 569 units. We follow the table with a brief description of each plan.

**Table 8.3** Summary of Plan Housing Elements

Plans	Project based	Scatter-site	voucher	Home owner	Senior	Other
<b>GARD</b>	O	O	569	O	O	5 year tenancy limit
<b>GOGP</b>	X	O	O	O	O	Create regional HA, and redistribute public housing units across the county.
<b>GAIN</b>	218	266	O	O	85	Require families with young children to live in scatter-sites. Use existing homes for scatter-site. Remaining to mixed use mixed income.
<b>GHA</b>	390	179	X	X	X	Convert some sites to mixed income communities; include a senior building on one of the sites, green design and space. Clustered scatter-sites.

*Notes:* GARD=Galveston Alliance for Responsible Development, ULI=Urban Land Institute, GAIN=Galveston Alliance of Island Neighborhoods, GOGP=Galveston Open Government Project, and GHA=Galveston Housing Authority.

X= included in plan, O= not included in plan.

**8.3.1 Galveston Housing Authority Redevelopment Plan.** Earlier in this report we examined the housing stock in Galveston. The GHA correctly notes the serious undersupply of affordable housing in Galveston. The GHA Redevelopment plan will rebuild all of the lost 569 units as hard units. They introduce lower density replacement public housing units on the original sites (N=390 including senior housing) with the remainder replaced with scatter-site housing and cluster-scatter-site housing (N=179) throughout the Island. This complies with current policy values regarding deconcentrating poverty. They propose to take advantage of vacant lots and abandoned properties and build new, sustainable, and efficient units on these sites.

In addition, GHA has a Rent-to-Own for families with Housing Choice Vouchers, and it allows residents to purchase property from the property owner. GHA also has plans to hire 30 % of all workers and firms from section 3 public housing individuals and firms to help with rebuilding of public housing. This will operate concurrent with a jobs training program. A large number of public housing residents will thus develop construction skills. These two programs may be very beneficial to the Island in the long run.

**8.3.2 G.A.R.D (Galveston Alliance for Responsible Development) Redevelopment Plan.** The GARD plan proposes to replace the 569 units with voucher subsidies. GARD justifies its proposal by using parts of the 2001 Galveston Comprehensive Plan, discussed in detail in the housing trends section of this report. They argue that this is the foundation for all city “policies, strategies and actions” to come. They assert that the focus is to: (1) build and support low



moderate income households; (2) strengthen neighborhoods; (3) limit the reliance on public housing and housing subsidies; and (4) deconcentrate poverty. They argue that vouchers are possible because there are 8,800 vacant housing units in Galveston, of which many only need minimal improvements to be brought up to code. These would be paid for by the home owner -- not the tax payers.

First let's address the 2001 comprehensive plan. GARD is correct that one of the comprehensive plans goals is to limit reliance on public housing and build for low-to-moderate income households. But this is just one aspect of the plan -- a plan written prior to Ike -- which assumed the 990 units of public housing would remain. The comprehensive plan called for upkeep of public housing which demonstrates that the city did not desire to remove the 990 units. The comprehensive plan has been somewhat pre-empted by Ike and the goals it suggested need to be re-evaluated in light of current needs.

Voucher subsidy plans make use of the private rental market to house public housing residents who pay 30 percent of their income for rent and the housing authority pays the rest. There are many advantages to these types of plans: they do not cost the city lost tax revenues, they depend on the private market which many think is the best way to allocate all resources. Renters have a little more choice in where they live and they can move. Vouchers are considered good when rental markets are soft as discussed above. A soft rental market exists when the supply of housing greatly exceeds the demand for rental housing. Based on the housing analysis presented earlier in this report, we find that Galveston does not have a soft market. Galveston has a shortage of affordable low income rental housing.

Currently, average rents in Galveston are \$804.00. This means that over half of all apartments rent for more than \$804.00. To afford this rent at 30 percent of income, households need an annual income of \$32,000. Approximately half of Galveston's population earns less than this. The Galveston Housing Market Study notes that 78 percent of all renter households are eligible for some form of housing subsidy. Thus, rental housing is currently unaffordable for the vast majority of Galveston's rental population. Rents rose in the past year, suggesting increased competition for the smaller supply of livable units that were left after Ike. If a voucher plan is followed, it is very likely that two things will happen: (1) most voucher holders will not be able to find an apartment to live in; and (2) rents will increase.

Voucher subsidies would increase the competition for these units which will increase rents. In the short run, this is not a viable plan. It will be very difficult for residents to find a home that meets code requirements on the Island. Rents will increase again, raising the number of renters experiencing housing strain. Increases in rent are going to push more and more renters into the untenable position of having to pay more than 30 percent of their income in housing which will reduce their ability to pay for other goods and services, and in turn reduce revenues to local businesses. Many may take advantage of lower rents off the Island. For low wage workers, this means finding a job off the Island as well. Public transportation to and from the Island is not flexible enough to meet the needs of low wage tourism workers who live off the Island. Thus potentially, there are high costs to local employers, the local economy, and the city overall.

GARD states that there are 8,800 units of rental housing available. This is inaccurate according to the Galveston Housing Market Study, which finds only 2,560 rental properties available (2010). Voucher programs depend on landlords volunteering to participate. Not all landlords are

willing to do so. This limits the number of rental units available to voucher holders. What's more, not all of the rental units available meet the FMR requirement; and not all of the rental units available meet the HUD code requirements. Based on the GHA experience with a county-wide voucher subsidy program, only about 50 percent of rentals are at or under the allowable rental costs, reducing the number of available rental homes to 1,280. Of the remaining 1,280, about half do not meet federal inspection standards, and only 25 percent of landlords participate in the voucher program. This leaves 320 rental units. This is not sufficient for expanding the voucher program.

In the very long run, the increases in rent may encourage landlords to fix up their rental units to code and enter the voucher program, but there will be no immediate increase in rental housing. Given the cost to build new affordable housing, a new supply of affordable housing is also a long term rather than short term solution. However, a good housing market, like any stock portfolio is optimized when it is diverse. The Galveston Recovery Plan and the Housing Market Study both mention the need to build new and diverse housing options which will fit the needs of current residents, and will attract new residents. Switching to housing vouchers could work in the future when the housing supply meets the housing demand. Presently the city's housing situation does not meet this condition.

**8.3.3 GOGP (Galveston Open Government Project) Redevelopment Plan.** Based on legal precedence, the GOGP asserts that the GHA should merge with La Marque and Texas City and create a regional housing authority. The regional housing authority would cover Galveston County and could distribute public housing more equitably throughout. The premise behind this plan is that the changing socio-economic foundation has meant that the city has become overburdened by low income residents and therefore has proportionately more public housing than to other U.S. cities. Presumably, a county-wide approach would deconcentrate poverty and minorities on the island, be more cost effective, and more efficient with regard to regional planning. After the housing authorities have merged the GOGP proposes that all subsidized housing should be de-concentrated *out* of the City of Galveston.

While some form of regionalism is a terrific idea, GHA does not have the authority to create a regional housing authority. While we encourage Galveston City to negotiate with the other local housing authorities to put this scheme in motion, it is a political decision rather than a cost benefit decision. This may take a long negotiation to create, and it may never be created without some sort of judicial ruling. Therefore, this is a long term goal for the organization of subsidized low income housing, not one for the immediate future.

In addition, this plan focuses only on the costs in terms of the lost tax revenues to the city of hosting public housing. There are benefits that come to the city as well and as the subsequent analysis shows, the benefits to the city outweigh the costs. Additionally, there are "right to the city" issues. Why should low income residents be expected to move from the Island to the mainland, when others can remain? Many grew up on the Island, or their jobs are on the Island.

Lastly, our spatial analysis demonstrated that there is little risk of a Fair Housing lawsuit against the city. By national standards, poverty was not concentrated on the Island prior to Ike, and neither was segregation high. Nevertheless, the GOGP plan appears to treat public housing as the cause of current neighborhood poverty and racial composition patterns rather than public housing reflecting where the need is located.

**8.3.4 GAIN (Galveston Alliance of Island Neighborhoods).** This plan contends that poverty will be reduced on the former project sites by lowering the density of the previous public housing communities by half. The remaining units will be replaced by using existing structures to create scatter-site housing. GAIN proposed that families with children to relocate to the new scatter-site housing. Based on the first part of the plan, it appears that GAIN is talking about the low income families that were displaced by Ike. In subsequent sections, however, GAIN only addresses workforce and moderate income housing, as well as student housing all of which are different populations from the 569 households that were displaced. Therefore, this plan does not really address replacing the original 569. Instead it is a plan to build different types of subsidized housing. However, since federal money is designated for the low income population that was displaced, the cost benefit analysis will treat the GAIN plan as if it were for low income households.

GAIN wants to renovate existing historical structures to historical preservation standards. Based on the Recovery plan estimates, this is very expensive (2009). It also targets specific areas and creates specific housing by area. For example, this plan will take the old Laffite Hotel and renovate it as subsidized housing for seniors, as well as create student housing and mixed use/mixed income communities near the downtown area. GAIN is also interested in creating a home ownership plan. The plan incorporates community involvement, and relies on private market cooperation. It calls for 141 units of student and workforce housing in mixed income developments. Mixed-income developments tend to have around 20 percent of units set aside for very low income persons and families (28 units). They are hard units and thus in the analyses will be treated as public housing.

The GAIN plan appears to be an excellent vehicle upon which to base a long-term housing strategy that addresses the populations in need of assistance beyond the 569. As it does not comply with the directive to replace 569 low income units, it cannot be further assessed. The next section provides a cost benefit analysis to the four proposed plans to replace the 569.

#### ***8.4 Costs of Land Acquisition, Building and Renovating***

When deciding whether or not it is cost effective to create public housing in a city, the costs of land, building, renovation and maintenance are important to consider. In this case, Galveston is replacing existing public housing. The federal government will be assuming the costs. As long as the costs do not go over the amount provided by the federal government, the city will benefit by having these external dollars enter the local economy. As the GARD plan calls for voucher housing subsidies to replace the 569 public housing units, there are also no costs associated with land acquisition or construction, and no need for the federal dollars. The GOGP plan will shift all costs to the county. This means the land and building costs will not change much, but other communities will receive the federal money rather than Galveston. GHA estimates it will cost \$68,374,750 to rebuild public housing on the original four sites. GHA estimates it will cost an additional \$22,968,206 to build the scatter-site housing for a total of \$91,342,956. The estimated cost of the public housing portion of the GAIN plan is \$38,432,830. Adding in the costs of transforming and renovating the hotel into a senior high rise comes to a total of \$45,932,830. Using numbers from the Housing Recovery Plan for developing scatter-site housing by renovating existing structures is \$250,000 per unit for a total of \$112,432,830. In summary then, from costliest to least costly (to the Federal Government) the plans are: GAIN, GHA, GOGP, and GARD.

### 8.5 Assessment of Lost Tax Revenue Costs of Various Plans

GHA already owns four sites where the previous 569 units were located. There will be no land costs associated with building new units there. They propose to reduce the number of units on those sites to 390, which will reduce the concentration of poverty. The remaining sites will include scatter-site and clustered scatter-site units around the Island. Presently, the city is losing tax revenue on those existing four sites.

Table 8.4 presents the calculations for lost tax revenues to the city from the former public housing sites. Public housing is generally more condensed than private market housing, meaning there is not a one-to-one ratio between units and taxable parcels. For the sake of this analysis, we assume the 569 units reside on 400 parcels of land. Three of the sites were located in zip code 77550 and one site was located in zip code 77551. There was no public housing located in zip code 77554 that was lost. The median home value is lowest in zip code 77550 at \$64,300, followed closely by zip code 77551 at \$75,900. The highest median home value is found in zip code 77554 at \$128,000. Prior to Ike, the city lost tax revenue opportunities to the tune of \$290,007.

**Table 8.4.** Estimation of Lost Revenues to City due to Public Housing Pre-Ike

Pre-Ike	77550	77551	77554
Median home values	\$64,300	\$75,900	\$128,000
Median value less tax zone	\$59,156	\$69,828	
Tax rate	X 1.165 =	X 1.165 =	
	68,917 / 100 =	\$81,350 / 100=	
Per parcel	\$689.17 X 262 parcels =	\$813.50 X 138 parcels =	
Lost tax revenue	\$180,563	\$112,263	N/A
Total less PILOT	<b>\$290,007</b>		

Note: The 400 parcels are distributed equivalently to the distribution of housing units between zip codes 77550 and 77551.

Because the GHA redevelopment plan includes scatter-site units, additional revenues will be incurred for land acquisition. Thus, increasing the number of scatter-site units will have an added lost tax opportunity cost. Some of the original sites will be used for mixed income communities, so some tax revenue will be generated. Table 8.5 presents the lost opportunity tax consequences of GHA's new plan. The lost tax revenue for the four sites does not change. But, because density will decline, the property owned by GHA has increased. The scatter-sites add an additional \$90,000 in lost tax revenues to the city making it more costly than pre-Ike public housing.

**Table 8.5.** Estimation of Lost Revenues to City based on GHA Post Ike Plan

<b>Public Housing</b>	<b>77550</b>	<b>77551</b>	<b>77554</b>
Median home values	\$64,300	\$75,900	\$128,000
Median value less tax zone	\$59,156	\$69,828	
Tax rate	X 1.165 =	X 1.165 =	
	68,917 / 100 =	\$81,350 / 100=	
Per parcel	\$689.17 X 262 parcels =	\$813.50 X 138 parcels =	
Lost tax revenue	\$180,563	\$112,263	N/A
Total PH less PILOT	<b>\$292,826</b>		
<b>Scatter-site Housing</b>			
Median home values	\$64,300	\$75,900	\$128,000
Median value less tax zone	\$59,156	\$69,828	\$117,760
Tax rate	X 1.165 =	X 1.165 =	X 1.165 =
	68,917 / 100 =	\$81,350 / 100=	\$137,190 / 100 =
Per parcel	\$689.17 X 42 parcels =	\$813.50 X 42 parcels =	\$1,371.90 X 20 parcels
Lost tax revenue	\$28,945	\$34,167	\$27,438
Total scatter-site	<b>\$90,055</b>		
TOTAL lost tax revenue less PILOT	<b>\$380,062</b>		

Note: The 400 parcels are distributed equivalently to the distribution of housing units between zip codes 77550 and 77551. Scatter-site housing assumption is one housing unit per parcel, clustered scatter-site is 4 units per parcel= 79 plus 25 parcels=104.

The GAIN plan is more difficult to assess because part of the plan involves working in partnership with private developers to create mixed income communities and the rezoning and purchase of the Lafitte hotel by the housing authority. Thus, tax revenues will increase, but potential business revenues may decline due to the hotel conversion. We assume that 75 parcels from the former Magnolia public housing site will be sold or given to private developers and therefore will become taxable, while 8 new parcels will become tax free. Table 8.6 presents the lost opportunity tax consequences of the GAIN plan. The public housing portion of the costs has been reduced by approximately \$46,000. The scatter-site costs have more than doubled despite not having scatter-site housing in the most expensive zip code. This plan is more costly to the city in terms of lost tax revenues than the GHA plan.

**Table 8.6.** Estimation of Lost Revenues to City based on GAIN Post-Ike Plan

<b>Public Housing</b>	<b>77550</b>	<b>77551</b>	<b>77554</b>
Median home values	\$64,300	\$75,900	\$128,000
Median value less tax zone	\$59,156	\$69,828	
Tax rate	X 1.165 =	X 1.165 =	
	68,917 / 100 =	\$81,350 / 100=	
Per parcel	\$689.17 X 195 parcels =	\$813.50 X 138 parcels =	
Lost tax revenue	\$134,388,	\$112,263	N/A
Total PH less PILOT	<b>\$246,651</b>		
<b>Scatter-site Housing</b>			
Median home values	\$64,300	\$75,900	\$128,000
Median value less tax zone	\$59,156	\$69,828	\$117,760
Tax rate	X 1.165 =	X 1.165 =	X 1.165 =
	68,917 / 100 =	\$81,350 / 100=	\$137,190 / 100 =
Per parcel	\$689.17 X 224 parcels =	\$813.50 X 40 parcels =	\$1,371.90 X 0 parcels
Lost tax revenue	\$152,996	\$32,540	\$0
Total scatter-site	<b>\$185,536</b>		
TOTAL lost tax revenue less PILOT	<b>\$429,368</b>		

Note: The 400 parcels are distributed equivalently to the distribution of housing units between zip codes 77550 and 77551. The parcels in zip code 77550 are reduced by 75 for mixed income development, and increased by 10 for the senior high rise. Scatter sit housing assumption is one housing unit per parcel, clustered scatter-site is 4 units per parcel= 79 plus 25 parcels=104.

The GARD plan calls for an elimination of all project based public housing and switching entirely to voucher housing for the lost 569 cases. Lost revenues to the city would be \$0.00. The GOGP calls for creating a regional housing authority and moving public housing projects to the mainland. Lost revenues to the city, therefore, would also be \$0.00. Thus from costliest (in terms of lost tax revenues) to least costly the plans are: GAIN, GHA, GOGP, and GARD.

### ***8.6 Benefit Calculations***

Table 8.7 examines the costs and benefits of the four plans, plus a hypothetical GHA pre-Ike replacement plan. The hypothetical plan would recreate the 569 exactly as they were re-Ike, which would mean not addressing the issue of concentrated poverty. It is included for comparison purposes only and should not be taken as a possible plan to be considered. Residents



of a city receiving a housing subsidy have more disposable income to use within the local economy. A report by Econsult Corporation (2007) to the Council of Large Public Housing Authorities (CLPHA) has estimated that public housing provides a rent subsidy of \$5,964 annually to each resident family. On average, this amounts to 57 percent of disposable income on average. To be conservative, we assume housing subsidies amount to \$5,600 per family in Galveston. In total, this provides the city and local economy with \$3,186,400 annually in disposable income that families can spend on other needs and services. This is a direct boost to the local economy.

As mentioned earlier, the city benefits from a growing tourism industry. The Angelou Economics report mentioned in Galveston's Recovery Plan named tourism as one of Galveston's most important economic engines; it is 30 percent of the city's economy. In 2007, the city gained \$14.9 million in revenues from tourism. Since most tourism jobs are low wage jobs averaging \$14,000 per year, it is likely that those working in tourism need housing subsidies to survive. There are approximately 25,000 employed persons on the island. Thirty percent work in the tourism industry, which comes to about 7,500 workers. This represents per capita revenue of approximately \$2,000. If say, 40 percent of displaced public housing residents are employed in the tourism industry, \$456,000 of that revenue can be attributed to public housing subsidized workers. If the 569 public housing units were removed from the Island, tourism would not be destroyed or halted on the Island, but since tourism is growing on the mainland as well, some of those profits would leave the city.

Prior to Ike, the GHA received \$1.7 million in capital improvement funds each year based on having 990 units of public housing. Under the GHA plan and the GAIN plan, these funds would continue, but under the GARD and GOGP plans, capital improvement funds would be reduced to approximately \$400,000.

GHA received federal subsidies in the amount of \$3,064,458 to operate the 990 public housing units in 2007. This represents external funding being infused into the city economy. This type of funding has a direct effect on the city's economy. GHA hires administrators, managers, security, maintenance staff, and contracts with local companies to fix up the properties. These direct expenditures have a ripple effect on a local economy called indirect effects (spending by vendors and suppliers) and induced effects (spending of salaries and wages by direct and indirect employees). Nationally, this is estimated to be around \$8 billion. For Galveston, using a conservative multiplier effect of 1.9, indirect and induced benefits are estimated to be \$5,822,470 annually pre-Ike. Thus total direct, indirect and induced spending contributed **\$8,886,928** annually to the city's economy.

GHA estimates that maintenance costs are about 20 percent more expensive in scatter-site housing. Utility costs to residents also increase by about 50 percent. The residents' rent will decrease to compensate for higher utilities, and this will have a negative effect on the housing authority's budget. This means less of a direct benefit coming from the subsidies to the Island and potentially a reduced PILOT fee. Based on the GHA plan for 179 scatter-sites, and an estimated yearly household utility cost of \$1,906, the amount spent on utilities will increase by \$141,997. For the GAIN plan, which includes 351 scatter-site units, the amount spent on utilities will increase by \$334,503 (assuming a 50 % increase in utility costs). Thus, the direct benefit is reduced by that amount and the indirect and induced benefits are likewise reduced.

The GARD plan for replacing hard public housing with voucher subsidies will reduce the federal influx of funds by \$542,257. Likewise, an additional \$2,000,000 in direct maintenance and services will be eliminated. This will have a negative impact on the indirect and induced benefits as well. Thus, the benefit to the local economy for switching to voucher housing will be reduced to \$1,514,383 from the Federal government. Since some public housing will remain on the Island, the benefit from that portion will remain, which is \$3,778,686 for a total benefit of: 5,293,069. The GOGP plan will only benefit from the subsidy on the existing units which is \$3,778,686.

**Table 8.7** Estimated Costs and Benefits to All Plans

	Pre-Ike GHA	Post-IKE GHA	Post-IKE GAIN	GARD (voucher)	GOGP
Land acquisition and rebuilding <sup>1</sup>	\$81,514,750	\$91,342,956	\$112,432,830	0.00	\$91,342,956 (to county)
Estimated lost tax revenue	\$290,007	\$380,062	\$429,368	0.00	0.00
Renters leaving Island due to rent increases	0.00	0.00	0.00	? (beyond 25 % vouchers leaving)	0.00
Direct benefits of subsidy to residents	\$3,186,400	\$3,186,400	\$3,186,400	\$2,389,800 (assumes 25 % leave Island)	0.00
Capital Improvement Fund	\$1,700,000	\$1,700,000	\$1,700,000	\$400,000	\$400,000
Direct, indirect and induced benefits of PHA from FED.	\$8,886,928	\$8,475,137	\$7,916,869	\$5,293,069	\$3,778,686
City Revenues from local economy subsidy	\$456,000	\$456,000	\$456,000	\$352,000	0.00
Total benefits less costs (higher is better)	\$13,939,321	\$13,437,475	\$12,829,901	\$8,434,869	\$4,178,686
<b>Differences (loss in benefit from Pre-Ike plan)</b>		<b>-501,846</b>	<b>-1,109,420</b>	<b>-5,504,452</b>	<b>-9,760,635</b>

There are other costs to a city for hosting subsidized low income housing. There are food stamp programs, welfare programs, such as TANF, and health care programs such as Medicaid. Monies to support these programs come from federal, state, and local government. They are not included in the above figures because they are external to the question of which is the best way to redevelop the 569 public housing units. There are many low income households on the Island that are not receiving housing subsidies, but may be receiving some of these other benefits. Thus, eliminating the housing subsidies for those who receive them would not necessarily lead to out migration of low income residents. In fact, there is the potential of the city incurring additional costs in terms of other types of support – such as emergency services (e.g. fire, sanitation, and public health services among others) if residents doubled up creating overcrowding in less than ideal housing structures.

<sup>1</sup> Land acquisition, rebuilding, administration, maintenance, operations, and capital improvements are treated as benefits (but not included in calculations) since the money comes from Federal sources outside the local economy and adds to the local economy rather than costing the city any money. Realistically the majority of the land acquisition and construction costs also come from outside sources. Land acquisition and construction are one time costs.

Costs to the Island in terms of sanitation, drainage, and sewer systems are legitimate expenses. Since block grants will be used to improve the water system infrastructure, these costs are offset to some degree. Also, the difference in type of housing may have a small direct impact on these costs. Dividing estimated service expenses by the number of occupied homes gives us an estimated per capita cost of services of \$1,317 (based on the city budget for 2005-2006). The cost to the city may decline by \$180,080 under the voucher plan if 25 percent of residents move off the Island.

Under the GOGP plan, and even the GARD plan, it is quite possible that removing the 569 units permanently may provide opportunities for private developers to enter the Island and do something with that land. However, there are an excessively large number of vacant units already on the Island that private developers could have invested in over the last decade or so. But even during the most recent housing boom they did not. This is not just about providing developers with incentives; this is about the high risk of investing in property on a barrier island vulnerable to hurricanes.

Some argue that because Galveston has such an extensive public investiture in the city, the private market does not have room to operate. This would be a cost to the city *if* it were true. This is an ideological argument made by individuals who have a preference for private labor markets versus public labor markets. Given that the local economy has been stagnating since the 1950s, and government was much smaller then, and that there is so much vacant and abandoned property available on the Island, there is not much evidence to support this argument. The largest employers in Galveston have been in the public sector for a long time. UTMB and the public school system are the largest employers on the Island. There has been evidence that private industry has not wanted to entrust their capital to a barrier Island since the 19<sup>th</sup> century.

### ***8.7 Final Assessment***

Based on our analysis of this very complex situation, we conclude that the GHA plan is the most cost effective and sensible plan. It minimizes costs to the city, it takes into account the need to deconcentrate poverty, and it maximizes benefits to the city. For the long term, we concur with the Galveston Housing Market Study, the Urban Land Institute Study, and the Recovery Plan, that new, diverse housing stock is needed on the Island. Emphasis should be placed on hiring code enforcement officers as a cheaper way of maintaining existing private housing stock. Lastly, a long term housing plan is needed that incorporates private market housing, public housing, and regionalization.



## ***9.0 Conclusion and Recommendations***

Over the last three years Galveston has made significant progress, systematically addressing the devastation inflicted on the Island by Ike. Tourists are flocking to the city again and plans for downtown redevelopment are moving forward. Yet, during this same time period, a highly charged and very public battle over the fate of the Island's public housing has impeded not only the rebuilding of the 569 units destroyed by Ike, but of needed infrastructure improvements as well. The argument against rebuilding public housing largely hinges upon the contention that the city already has the lion's share of public housing in the county. Rebuilding, it is argued, will result in an excess number of low-income housing units on the Island, and therefore a disproportionate share of the county's low income population. In addition, opponents voice concerns, not only about property values, but about how rebuilding will impact tourism, one of the city's main economic strengths. Some of this concern is driven by the perception that the Island has experienced a significant amount of white flight over the last four decades leading to a shrinking middle class. Implicit here is the assumption that because of this exodus, the demographic composition of the city has become very different from that of the county.

But the majority of the public housing residents displaced by Ike have remained on the Island so the contention that rebuilding will draw back the low income residents who left is groundless. In addition, our analysis shows that, although the city has seen its overall population decline, demographic trends since 1970 are very similar to that of the county, both experiencing a 15 percent loss in the white population, about a 10 percent increase in the Hispanic population, and a very small increase in the African American population.

In terms of socioeconomic trends, the city has twice the poverty of the county today, as it did in 1970. Both the city and the county have experienced increases over the last four decades. The city's current poverty rate is similar to Houston and post-Katrina New Orleans, but less than Atlanta, a city that has recently eliminated all of its public housing stock. The occupational and industrial structure of the city and county are similar and reflect broad national changes which have taken place since the 1970s: high skilled manufacturing jobs on the decline; high skilled professional jobs increasingly modestly; and low skill, low wage jobs, particularly in the tourism sector, on the rise. Although both the city and the county show signs of a bifurcated labor market, this is more pronounced in the city. However, because tourism is one of the city's biggest economic engines, a low wage workforce is needed and therefore quality and affordable rental housing to accommodate these workers is needed as well.

Housing trends in the city indicate an increase in rental and vacant properties, as well as an increase in substandard rental housing. In fact, rental housing operated by the GHA represents some of the highest quality affordable housing on the Island. In addition, the availability of rental housing is far greater on the Island than in the county. While the city has the majority of the public housing, the county has the majority of the LIHTC developments. Second, spatial concentration of voucher housing is evident in the city as well as the county. This is largely driven by the location of rental housing as well as landlord choice.

The neighborhoods within which public and subsidized housing are located both in the city and the county are not segregated areas of concentrated poverty. They are, in fact, both economically and racially mixed. What this suggests is that the risk of a Fair Housing lawsuit being successfully litigated against the housing authority is very low.

Based on our analysis we conclude that the GHA plan is the most cost effective and sensible plan. It minimizes costs to the city, it takes into account the need to deconcentrate poverty, and it maximizes benefits to the city. However, for the long term, we concur with the Galveston Housing Market Study, the Urban Land Institute Study, and the Recovery Plan, that new, diverse housing stock accessible to all income levels is needed on the Island. Other recommendations include:

1. An analysis of housing preferences among the middle class population the city would like to attract to the Island is needed to determine the correct mix of old and new housing.
2. Strengthen code enforcement of existing properties by hiring a full time code enforcement officer and staff.
3. To address the existing housing shortage on the Island, partner with developers and the housing authority to build a mix of both rental and owner-occupied low, moderate, and middle income housing.
4. Develop a long term public and subsidized housing plan that addresses regionalization.

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## APPENDIX ONE

### Media Coverage Analysis Definitions and Tables

#### A. Definitions

We coded our sample by categorizing each article with a head category and subcategory, based on specific concepts or themes that we identified in its content. Below are our conceptual definitions for these categories.

**Head Category: 1900 Storm** – Any articles that make reference to the famous Storm of 1900, which devastated the Galveston economy and community, and from which the island never fully recovered.

**Subcategories:**

*Account* – Any articles that convey an experience of the 1900 Storm.

*Impact* – Any articles that describe the immediate and/or successive effects of the 1900 Storm.

**Head Category: GHA** – Any articles that make reference to the activities of the Galveston Housing Authority.

**Subcategories:**

*New Development* – Any articles that report on the development of new public housing, prior to hurricane Ike.

*Awards* – Any articles that report on awards presented to the GHA.

*Board changes* – Any articles that refer to membership changes in the GHA Board.

*Ike destruction* – Any articles that report on damage to public housing units caused by hurricane Ike.

*Temporary housing* – Any articles that refer to the GHA's involvement with temporary housing for residents displaced by hurricane Ike.

*Resident reinstatement* – Any articles that refer to the GHA's efforts to reinstate or return residents to public housing units.

*Reconstruction* – Any articles that report on the efforts of GHA to renovate or reconstruct units damaged by Ike.

*Public housing debate* – Any articles that give a balanced report on the debate surrounding public housing in Galveston.

*Recovery fund* – Any articles that report on GHA's efforts to secure local, state or federal funding for the redevelopment of public housing units.

*Opposition* – Any articles that contain opinion editorials with or news reports about an oppositional stance toward GHA, GHA's redevelopment plan or public housing in Galveston.

*Defense* – Any articles that contain opinion editorials with or news reports about a defensive stance toward GHA, GHA's redevelopment plan or public housing in Galveston.

*Housing plan* – Any articles that delineate or report on GHA's post-Ike housing plan.

*New Development: Housing Plan* – Any articles that report on the development of GHA's post-Ike housing plan.

*Public relations* – Any articles that refer to GHA's public relations efforts, such

as website development, public meetings or housing conferences.

*County housing* – Any articles that make reference to the expansion of GHA onto the mainland section of Galveston County.

*Section 8* – Any articles that discuss Section 8 vouchers made available by GHA.

*Alternative housing plans* – Any articles that report on or delineate alternative housing plans suggested by other organizations.

*Demolition* – Any articles that report on the demolition of Ike-damaged public housing units.

*Oleander fire* – Any articles that refer to the destruction caused by the fire at Oleander Homes in October, 2006.

**Head Category: Hurricane Preparedness** – Any articles that make reference to government efforts to prepare Galveston for hurricane season.

**Subcategories:**

*Evacuations* – Any articles that discuss or delineate island evacuation plans.

*Flood insurance* – Any articles that report on flood insurance legislation.

**Head Category: Rita** – Any articles that refer to Hurricane Rita, which hit Galveston Island in December of 2005.

**Subcategories:**

*Evacuations* – Any articles that report on Galveston's efforts to evacuate residents because of Rita.

*Housing assistance* – Any articles that refer to efforts to provide housing assistance to residents displaced by Rita.

**Head Category: Homeowner Aid** – Any articles that report on programs that offer assistance to Galveston homeowners or homebuyers.

**Subcategories:**

*Housing rehabilitation* – Any articles that refer to aid programs that assist homeowners in rehabilitating or renovating old or damaged homes.

*Assistance/incentives* – Any articles that discuss programs that offer homebuyer assistance or incentives in order to increase homeownership.

*Homeowner education* – Any articles that report on programs that educate homeowners or buyers on the process of buying a home.

**Head Category: New Development** – Any articles that report on new real estate development on Galveston Island.

**Subcategories:**

*Regulatory issues* – Any articles that refer to issues of regulation involved in new development on Galveston Island.

*Commercial/resort/luxury* – Any articles that refer to the development of new commercial, resort or luxury real estate.

*Mixed-use/condos/single family* – Any articles that refer to the development of new condominiums, mixed-use housing or single-family housing.

*Impact of new development* – Any articles that discuss the impact of new real estate development on Galveston Island or its residents.

*Affordable housing* – Any articles that refer to the development of affordable housing on Galveston Island.

**Head Category: Housing Market** – Any articles that discuss trends in the Galveston Island housing market.

**Subcategories:**

*Demographic trends* – Any articles that discuss demographic changes or trends in

Galveston's housing market.

*Middle class argument* – Any articles that espouse or discuss the argument that Galveston has lost its middle class and would benefit from efforts to recover middle class families.

*Housing crisis* – Any articles that report on a crisis in Galveston's housing market.

**Head Category: Housing Issues** – Any articles that refer to problems common to Galveston Island's housing stock or housing market.

**Subcategories:**

*Disability access* – Any articles that discuss the lack of disability access in Galveston housing stock.

*High rent* – Any articles that report on an inflation in rental rates in Galveston's housing market.

*Lead problems* – Any articles that report on lead contamination discovered in Galveston's housing stock in February, 2008.

*Sustainable housing* – Any articles that discuss the need for sustainable housing on Galveston Island.

*Homeless population* – Any articles that refer to the issue of homelessness in Galveston.

*Seniors* – Any articles that refer to issues surrounding Galveston's senior housing.

*Environmental issues* – Any articles that express concern for or report on efforts toward environmental sustainability in Galveston's housing stock.

**Head Category: GHF** – Any articles that refer to the activities of the Galveston Historical Foundation.

**Subcategories:**

*Historic home preservation* – Any articles that refer to efforts by the GHF to preserve historic homes on Galveston Island.

*Historic home renovations* – Any articles that refer to efforts by the GHF to restore historic homes on Galveston Island.

**Head Category: Ike** – Any articles that report on Hurricane Ike, which hit Galveston Island in September, 2008.

**Subcategories:**

*Evacuation* – Any articles that report on Galveston's efforts to evacuate residents because of Ike.

*Damage assessment* – Any articles that delineate the physical or economic damage wreaked by Ike on Galveston.

*Federal funds* – Any articles that report on the federal funding offered to Galveston to aid in its recovery efforts.

*Account* – Any articles that convey an experience of Hurricane Ike.

*Recovery* – Any articles that report on Galveston's post-Ike recovery efforts.

*Homeowner recovery* – Any articles that report on Galveston homeowners' post Ike recovery efforts.

*Recovery committee* – Any articles that refer to the activities of the Galveston Recovery Committee, which was commissioned by the city in order to direct Island recovery efforts.

## B. Results Tables

We organized our data with two tables. Table A.1, titled “Categories by Percentages,” displays our head and subcategories by number of articles, percent out of head category and percent out of total articles. This format illuminates trends in content and coverage, indicating how much a topic is covered and allowing us to compare that coverage with others. By making these comparisons, we can understand which issues are the most contentious, stigmatized and important to the Galveston media and public. We have highlighted some trends in coverage on the GHA that seem significant to us.

**TABLE A.1. Categories by Percentages**

<b>Head Category</b>	<b>Subcategory</b>	<b>Number</b>	<b>% of TOTAL</b>
1900 Storm	Impact	1	0.24%
	Account	2	0.48%
	<b>Total (1900)</b>	<b>3</b>	<b>0.72%</b>
<b>GHA</b>	Section 8	1	0.24%
	County housing	2	0.48%
	Oleander fire	2	0.48%
	Awards	3	0.72%
	Temporary housing	3	0.72%
	New Development	4	0.96%
	Resident reinstatement	5	1.20%
	New Development: Housing Plan	5	1.20%
	Board changes	8	1.93%
	Ike destruction	8	1.93%
	Alternative housing plans	8	1.93%
	Public relations	10	2.41%
	Demolition	12	2.89%
	Recovery fund	14	3.37%
	Public housing debate	16	3.86%
	Housing plan	18	4.34%
	Defense	18	4.34%
	Reconstruction	24	5.78%
	Opposition	58	13.98%
	<b>Total (GHA)</b>	<b>219</b>	<b>52.77%</b>

TABLE A.1 CON'T

<b>Head Category</b>	<b>Subcategory</b>	<b>Number</b>	<b>% of TOTAL</b>
Hurricane Preparedness	Flood insurance	2	0.48%
	Evacuations	5	1.20%
	<b>Total (HP)</b>	<b>7</b>	<b>1.69%</b>
Rita	Evacuations	3	0.72%
	Housing assistance	3	0.72%
	<b>Total (Rita)</b>	<b>6</b>	<b>1.45%</b>
Homeowner aid	Assistance/incentives	4	0.96%
	Homeowner education	5	1.20%
	Housing rehabilitation	23	5.54%
	<b>Total (HA)</b>	<b>32</b>	<b>7.71%</b>
New Development	Affordable housing	1	0.24%
	Impact of new development	2	0.48%
	Mixed-use/condos/single-family	9	2.17%
	Commercial/resort/luxury	11	2.65%
	Regulatory issues	18	4.34%
	<b>Total (ND)</b>	<b>41</b>	<b>9.88%</b>
Housing market	Demographic trends	3	0.72%
	Middle class argument	5	1.20%
	Housing crisis	11	2.65%
	<b>Total (HM)</b>	<b>19</b>	<b>4.58%</b>
Housing Issues	Disability access	1	0.24%
	Seniors	1	0.24%
	Sustainable housing	2	0.48%
	Homeless population	2	0.48%
	High rent	4	0.96%
	Environmental issues	4	0.96%
	Lead problems	9	2.17%
	<b>Total (HI)</b>	<b>23</b>	<b>5.54%</b>
	GHF	Historic home preservation	1
Historic home renovations		2	0.48%
<b>Total (GHF)</b>		<b>3</b>	<b>0.72%</b>
Ike	Homeowner recovery	2	0.48%
	Account	2	0.48%
	Damage assessment	6	1.45%
	Evacuation	7	1.69%
	Recovery committee	8	1.93%
	Federal funds	12	2.89%
	Recovery	25	6.02%
	<b>Total (Ike)</b>	<b>62</b>	<b>14.94%</b>
<b>TOTAL</b>		<b>415</b>	<b>100.00%</b>

Table A.2, titled “Categories by Year,” displays our head categories by number of articles per year, percent out of head category and percent out of total articles. This format reveals trends in coverage over time, indicating how often during a specific period a topic is covered and allowing for a comparison against coverage in other years. By making these comparisons, we can see whether an issue has been constant over time or emerged recently; we can see if or when it peaks and drops.

**TABLE A.2. Categories by Year**

<b>Head Category</b>	<b>Year</b>	<b>#</b>	<b>(#/N)100.00</b>
1900 Storm	2000	1	0.24%
	2005	2	0.48%
<b>Total (1900 n)</b>		3	0.72%
GHA	2005	1	0.24%
	2006	5	1.20%
	2007	5	1.20%
	2008	22	5.30%
	Pre-Ike	0	0.00%
	Post-Ike	22	5.30%
	2009	116	27.95%
	2010	70	16.87%
<b>Total (GHA n)</b>		219	52.77%
Hurricane Preparedness	2005	1	0.24%
	2006	3	0.72%
	2007	2	0.48%
	2010	1	0.24%
<b>Total (HP n)</b>		7	1.69%
Rita	2005	3	0.72%
	2006	2	0.48%
	2007	1	0.24%
<b>Total (Rita n)</b>		6	1.45%
Homeowner aid	2006	2	0.48%
	2007	3	0.72%
	2008	1	0.24%
	2009	13	3.13%
	2010	13	3.13%
<b>Total (HA n)</b>		32	7.71%
New Development	2006	13	3.13%
	2007	10	2.41%
	2008	16	3.86%
	2009	2	0.48%
<b>Total (HA n)</b>		41	9.88%
Housing market	2006	4	0.96%
	2007	6	1.45%
	2008	5	1.20%
	2009	3	0.72%
	2010	1	0.24%

TABLE A.2 CON'T

<b>Head Category</b>	<b>Year</b>	<b>#</b>	<b>(#/N)100.00</b>
<b>Total (HM n)</b>		19	4.58%
Housing Issues	2007	5	1.20%
	2008	12	2.89%
	2009	4	0.96%
	2010	2	0.48%
<b>Total (HI n)</b>		23	5.54%
GHF	2007	1	0.24%
	2008	1	0.24%
	2010	1	0.24%
<b>Total (GHF n)</b>		3	0.72%
Ike	2008	22	5.30%
	2009	33	7.95%
	2010	7	1.69%
<b>Total (Ike n)</b>		62	14.94%
<b>TOTAL (N)</b>		437	100.00%