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# Seizing the Opportunity for Equitable and Inclusive Redevelopment

Galveston's Trials After Hurricane Ike  
Offer Lessons for Other Communities

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## Preface

This report about Galveston, Texas, and its recovery from Hurricane Ike was substantially prepared prior to the arrival of Hurricane Harvey in Texas in 2017. The story of Galveston's redevelopment has new relevance in the wake of Harvey and can serve to inform individuals and communities now recovering from natural disasters across the U.S.

Hurricane Harvey made landfall in Rockport, Texas, on Aug. 25 and devastated the southeastern region of the state. The storm resulted in the designation of 41 of 254 Texas counties, including Galveston, as federal disaster areas eligible for Federal Emergency Management Agency individual assistance.<sup>1</sup>

The total economic loss from Harvey is estimated at \$73.5 billion, according to Moody's Analytics. Based on reimbursement data from past hurricanes, it's likely that a substantial portion of the costs won't be covered by federal government or private insurance payments. A survey of federal assistance during hurricane events in recent U.S. history since Hurricane Katrina in 2005 reveals that, on average, the federal government has contributed funds to cover about 62 percent of estimated damages.<sup>2</sup>

Federal aid for Harvey is arriving slowly through numerous appropriation cycles, forcing municipalities across the state to make tough decisions about how to use existing funding and limited resources to begin rebuilding their communities. Aging and deteriorating infrastructure, competing business interests and diverse community needs coupled with strict spending requirements and compliance rules further complicate the decision-making process.

With aid uncertain, many small businesses and low- and moderate-income (LMI) communities and households face increased risks associated with a delayed recovery process, extended periods of displacement and high-end, market-rate redevelopment that occurs within poorer or historic neighborhoods.

This report explores the gentrification of Galveston during its recovery from Hurricane Ike, which battered the island in 2008. It highlights the need for communities—whether in a disaster situation or not—to promote redevelopment efforts that focus on equity and inclusiveness for residents of all income levels and neighborhoods. The report also provides insight into the role that nonprofits, financial institutions, community development financial institutions (CDFIs) and philanthropy can play in filling the gaps that might surface when public resources are limited or unavailable.

A survey of data available from major foundations and fundraising initiatives reveals that more than \$1 billion in private money has been raised to date in the name of Hurricane Harvey relief.<sup>3</sup> Undoubtedly, these funds can create a huge opportunity as LMI families begin to put their lives back together. Additionally, financial institutions and CDFIs have the unique capacity and responsibility to extend safe, affordable financial products to small businesses, individuals and community-based organizations. Working together, the public and private sectors can create an interconnected network of resources that supports all individuals and communities as they strive to recover.

Recent community roundtables hosted by the Dallas Fed across the Hurricane Harvey-affected area have provided insight into many of the obstacles impeding the region's recovery. Similar to communities recently affected by Harvey—where access to quality affordable housing has been identified as the greatest barrier to recovery—Galveston faced housing obstacles following Hurricane Ike and is still working to address these challenges almost 10 years later.

Access to this most basic human need is critical to the recovery of LMI families and small-business owners following any natural disaster. Additionally, the vital roles small businesses and LMI individuals play in supporting the local and regional economy should not be overlooked. Without quality housing, communities stand to lose not only a large segment of their workforce and employer base, but also a critical driver and source of revenue.

Addressing the basic needs of all individuals within the community is imperative and critical to any rebuilding process. The potential economic and social costs are far too high to ignore.

### Notes

<sup>1</sup> For more on Hurricane Harvey FEMA federally declared disaster area designations, see [www.fema.gov/disaster/4332](http://www.fema.gov/disaster/4332).

<sup>2</sup> See "What Past Federal Hurricane Aid Tells Us About Money for Harvey Recovery," by Ryan Struyk, CNN, Sept. 7, 2017, [www.cnn.com/2017/08/31/politics/hurricane-harvey-recovery-money/index.html](http://www.cnn.com/2017/08/31/politics/hurricane-harvey-recovery-money/index.html).

<sup>3</sup> The figure is based on fundraising totals available on the websites of the Greater Houston Community Foundation, United Way of Greater Houston, Rebuild Texas Fund, American Red Cross and JJ Watt Foundation.

# Seizing the Opportunity for Equitable and Inclusive Redevelopment

## Galveston's Trials After Hurricane Ike Offer Lessons for Other Communities

Kevin Dancy, Esq.

The cities and towns of southeast Texas have long faced issues that often arise from gentrification. The story of Galveston's recovery following a devastating hurricane in 2008 can be informative for other communities in the rebuilding process across Texas and beyond. It reinforces the importance of community development practitioners, bankers and local governments working together to address the issues and avoid common pitfalls that have led to the stagnation of many richly diverse neighborhoods.

Gentrification is the renewal, redevelopment or rebuilding of a deteriorating geographic area that typically brings an influx of wealthier people and displaces poorer residents.

There is widespread disagreement over the benefits and detriments of gentrification, but it can generally be characterized by four changes within a neighborhood:

- The demographics of its residents
- Its real estate market
- Its land-use restrictions or zoning
- Its overall characteristics or aesthetics<sup>1</sup>



So-called AgShacks have been built among single-family homes to expand the student housing stock around Texas A&M University in College Station. They are examples of gentrification efforts across Texas.

Credit: KBTX-TV



*Gentrification is evident in Houston's Fourth Ward, where a high-rise rental development under construction dwarfs several historic row houses. Redevelopment is leading to what some see as the negative effects of gentrification, where resident displacement comes with revitalization.*

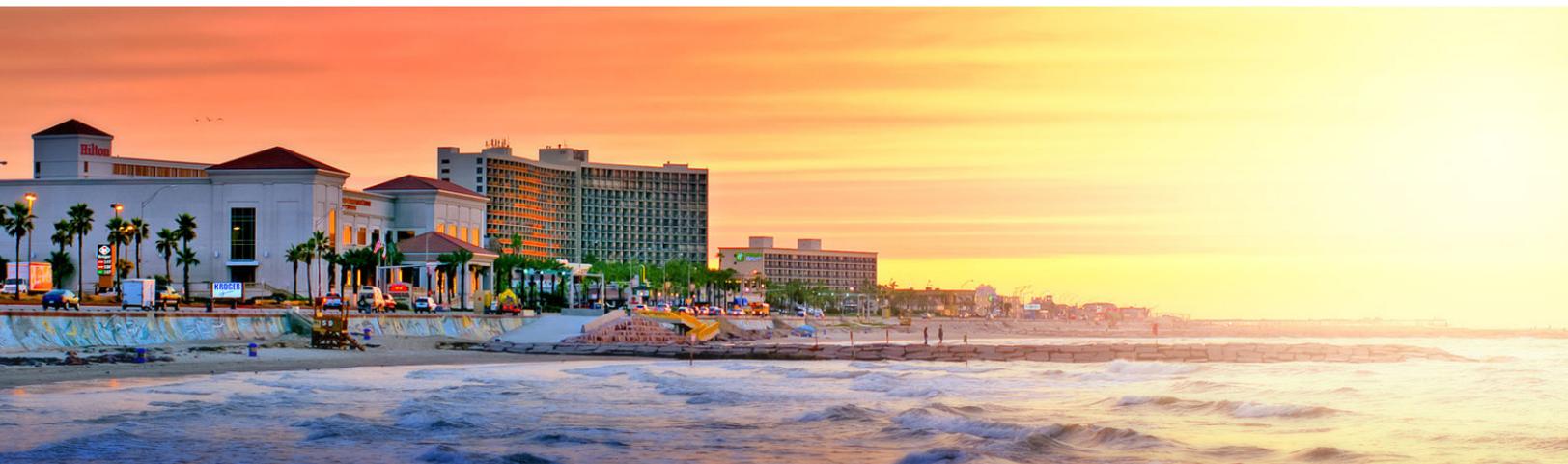
*Credit: Federal Reserve Bank of Dallas*

While gentrification has led to a rebirth of interest in neighborhoods that previously suffered from long periods of disinvestment, the process has also led to the displacement of many low- and moderate-income (LMI) individuals who once called these neighborhoods home.

Often one of the unintended results of gentrification is the elimination of the affordable-housing stock within the gentrifying area. As affordable-housing opportunities decline, individuals within lower socioeconomic groups are forced to move out of the area to seek more-affordable housing options. In the end, neighborhoods postgentrification look notably different and are often less diverse in terms of race, income and workforce composition.

Evidence of this can be found across the region, from the "AgShacks" built as student housing in College Station to the redevelopment of Houston's Fourth Ward.

This report focuses on Galveston and its redevelopment of affordable public housing units following Hurricane Ike in September 2008. Nearly 10 years have passed since the hurricane made landfall on the Texas Gulf Coast, and many LMI communities and affordable homes that once existed have not been rebuilt or replaced. The result of this inaction is a community that is less economically diverse and a city that is likely to face serious workforce challenges in the coming years as it seeks to compete in one of the fastest-growing regions in the nation.



Credit: City of Galveston

## Galveston—The Oleander City

A coastal resort town known for its historic architecture, charm and Texas–New Orleans fusion flair, Galveston has served as a major tourist destination for more than a century. Although popular among vacationers, the island town has not produced the best outcomes for all segments of society, namely members of the low-income and working classes (see Box 1).

A 2015 study by economists Raj Chetty and Nathaniel Hendren provides insight into the bleak outlook many Galveston County youth face.<sup>2</sup> Their paper, “Impacts of Neighborhoods on Intergenerational Mobility,” shows that geographic location greatly impacts poor children—and every year these children live in a particular county has a direct influence on how much income they will earn as adults. Chetty and Hendren list five key factors associated with strong upward mobility:

- Less segregation by income and race
- Lower levels of income inequality
- Better schools
- Lower rates of violent crime
- A large share of two-parent households

Based on an analysis of data using Chetty and Hendren’s interactive tool and data published by the *New York Times*, Galveston County ranked among the worst in the U.S. in helping low-income children climb the income

### Box 1

#### Galveston Prior to Hurricane Ike

Galveston, where nearly one-fourth of the total population of 50,000 lives in poverty, faced significant challenges surrounding the issues of race and income inequality even before Hurricane Ike arrived.

- According to the 2000 census, nearly 50 percent of the Hispanic population of 8,092 and one-third of the black population of 8,530 residing in the city did not have a high school diploma or equivalent.<sup>1</sup>
- According to the Galveston Housing Authority, more than 2,200 families lived in public or subsidized housing as of 2008. An additional 1,200 low-income families were recipients of subsidized rental-assistance vouchers under the Department of Housing and Urban Development’s Section 8 program.
- Prior to the hurricane, Galveston ranked first on the list of U.S. cities with a population less than 60,000 for having the most individuals receiving governmental housing assistance.<sup>2</sup>

### Notes

<sup>1</sup>“A New Orleans Obituary Has Lesson for Galveston,” by John Henneberger, Texas Low Income Housing Information Service, Sept. 15, 2008.

<sup>2</sup>“The Castaways: Can Galveston’s Black Community Survive the Island’s Comeback?” by Forrest Wilder, *Texas Observer*, Dec. 12, 2008.

ladder (see Box 2). A child who grew up living in poverty in Galveston County could expect to make \$2,850 less annually as an adult than a similarly situated child in an average U.S. county. Additionally, Galveston County ranked last among the 10 counties in the Houston metro region in terms of income mobility and produced the worst outcomes for LMI youth.<sup>3</sup>

## Hurricane Ike Hits the Island

While the island had long struggled to provide for its most needy residents, the events of Sept. 13, 2008, and redevelopment thereafter left an even wider void. On that day, Hurricane Ike struck Galveston with reported 110 mph winds and an 11-foot storm surge. While the city experienced storm damage across its wide footprint, the most severe damage was isolated to the northern portion of the island. The storm surge from Galveston Bay devastated the low-lying northern area, where prior to the storm most of the city's impoverished communities were located.

**A child who grew up living in poverty in Galveston County could expect to make \$2,850 less annually as an adult than a similarly situated child in an average U.S. county.**

Prior to the hurricane, the Galveston Housing Authority (GHA) operated 975 public housing units within two high-rise buildings and four low-rise apartment complexes.<sup>4</sup> In the days following the hurricane, all 975 units were closed and all public housing residents were ordered to vacate the premises and remove their belongings by Sept. 26.<sup>5</sup> With the Federal Emergency Management Agency (FEMA) still ramping up its efforts and limited disaster-recovery resources on the ground, many of these LMI families found themselves in the middle of a temporary housing crisis. Ultimately, GHA condemned all four of its low-rise housing projects on the north side of the island, and for many LMI Galvestonians, their temporary crisis became permanent.

### Box 2

#### Poor Outcomes for Poor Children

Galveston County ranked last compared with surrounding counties in the Houston metro region as well as most other counties across Texas in terms of income mobility and outcomes for low- and moderate-income youth. Galveston ranks better than 7 percent of counties across the nation and worse than 93 percent.

#### How Texas Counties Fare: Income Mobility for Children of Poor Families

County	Percentile*
Johnson	93
Matagorda	74
Cameron	72
Fort Bend	59
Jefferson	48
Tarrant	39
Nacogdoches	37
El Paso	36
Harris	34
Lubbock	27
Hidalgo	20
Dallas	19
Bexar	14
Travis	13
Galveston	7

\*Percentile represents how well each county ranks against other counties across the nation.

SOURCE: "Impacts of Neighborhoods on Intergenerational Mobility," by Raj Chetty and Nathaniel Hendren, Harvard University and National Bureau of Economic Research, 2015.

## Racial, Economic Issues

Galveston has a colorful history that dates back to the early 1800s, when the city was a refuge for pirates and slave traders. Recognized as the birthplace of June-teenth—African-American Independence Day—it has long dealt with racial tensions and other issues that accompany income inequality. Minorities and those in the lower class were concentrated in the low-lying northern area and, for more than half a century, the island has remained divided this way.<sup>6</sup>

The island’s northern area is vulnerable to flooding, and researchers have surmised that the elevated reconstruction of Galveston’s major thoroughfare, Broadway Street,

more than 50 years ago may have created a dike- or levee-like effect between the north and south that has contributed to flooding in the north.<sup>7</sup>

The correlation between high minority concentration and hurricane vulnerability can be seen in a 2009 study conducted by the University of Texas at Austin’s Community and Regional Planning graduate school for the Texas Low Income Housing Information Service (TxLIHIS). Chart 1 shows the concentration of black populations by census tract and hurricane vulnerability by census tract, as identified by the FEMA prior to Hurricane Ike.

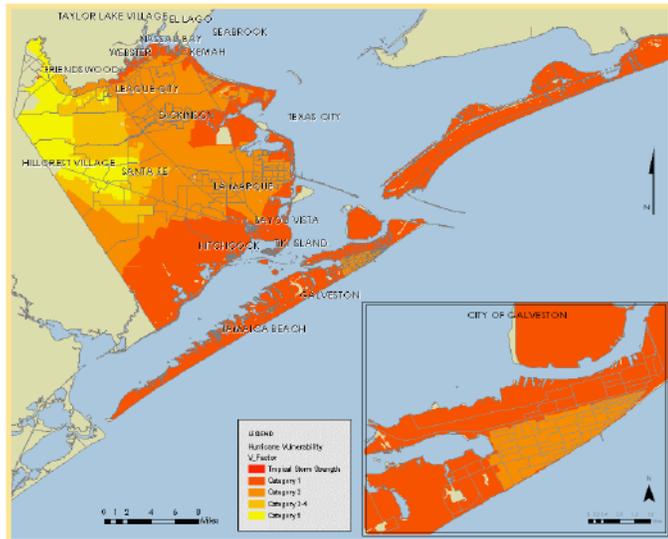
To many minorities living in Galveston, Hurricane Ike provided an impetus for what most already saw on the horizon.<sup>8</sup> With the growth of the cruise industry, Galveston

### Chart 1

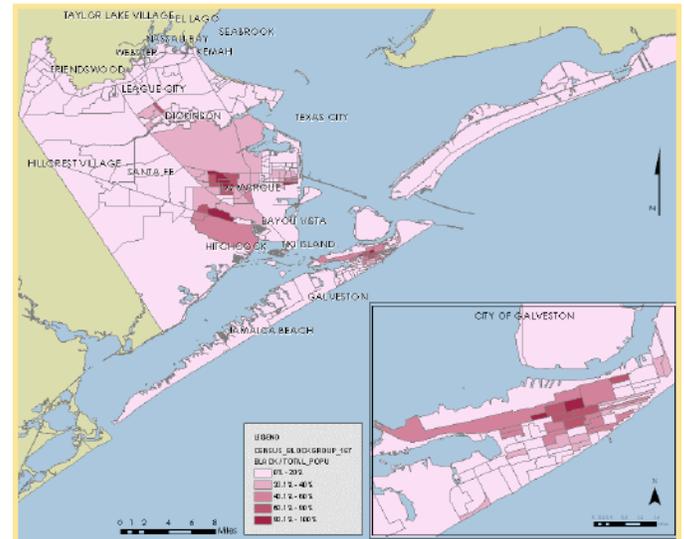
#### Hurricane Vulnerability Greatest in Areas with High Percentage of Black Residents

The darker shading in the two Galveston County maps indicates areas with the greatest hurricane vulnerability and the highest concentrations of black residents in 2000. The areas of greatest vulnerability to storm damage seen in the Federal Emergency Management Agency map at left are highly correlated with areas in the map at right that have high percentages of black households. The storm surge from Hurricane Ike drove water into Galveston Bay, causing flooding and swamping low-lying areas where much of the county’s low-income housing was located.

Areas of Vulnerability



Areas with Black Populations



SOURCES: Study by the University of Texas Community and Regional Planning graduate school for the Texas Low Income Housing Information Service. See “Hurricane Ike: Rehabilitation of Affordable Rental Units on Galveston Island,” by A. Christina Wild, graduate thesis, UT Austin, Aug. 6, 2009.

**Table 1**

Changes in Galveston's Demographics Since 2008			
Characteristics	Year		
	2008	2010	2015
Galveston population by race			
White	24,777	22,778	22,199
Black	10,707	9,588	9,740
Hispanic	14,810	14,993	14,192
Asian	1,623	1,749	2,016
Total	52,821	49,990	48,971
Galveston housing occupancy status			
Owner-occupied	9,991	10,104	8,874
Renter-occupied	12,704	11,071	11,446
Vacant	10,744	11,465	11,740
Total	33,439	32,640	32,060
Galveston households by income			
Less than \$24,999	8,262	7,406	7,126
\$25,000 to \$49,999	6,338	5,956	4,811
\$50,000 to \$74,999	3,273	3,076	3,359
\$75,000 or more	4,822	4,737	5,024
Total	22,695	21,175	20,320
Median household income (dollars)	36,525	36,165	39,098
Mean household income (dollars)	51,754	54,503	61,563

SOURCE: Census Bureau, 2008, 2010 and 2015 American Community Surveys.

port and industrial sectors on the northern side of the island, many living in the area were already beginning to feel the effects of gentrification prior to the storm.

The deep water provided by Galveston Bay made this part of the island the only area that could support these types of industries, and as businesses saw opportunity, so did many others. In the years prior to Hurricane Ike, many

residents of the area had already seen increases in rental costs, insurance and property taxes as well as the arrival of new commercial and residential developments that targeted middle- and upper-income individuals.

Table 1 shows the changes in demographics for the population of Galveston by race, income and housing occupancy status from 2008, before Hurricane Ike, until 2015.

Based on the data in Table 1, while Galveston experienced declines in its total population and the number of homeowners, average household income levels increased. As of 2015, the island's population had yet to return to its pre-Hurricane Ike levels but, noticeably, the island added more upper-income residents. The data also indicate that the income groups most impacted by Ike and that have yet, for the most part, to return to the island are those who earn below \$50,000 annually.

Other data show that renters did not fare well in Galveston after Hurricane Ike. According to the city of Galveston's long-term recovery plan published April 9, 2009, 57 percent (13,443) of Galveston households were renters prior to the hurricane. Homeownership for most residents was not attainable at that time.

And it was the renters who lost the most following the hurricane. Chart 2 shows FEMA hurricane vulnerability and the percentage of renters by census tract in Galveston County prior to Hurricane Ike. Similar to Chart 1, Chart 2 shows a high correlation between areas that have high concentrations of renters and their level of vulnerability during a hurricane.<sup>9</sup>

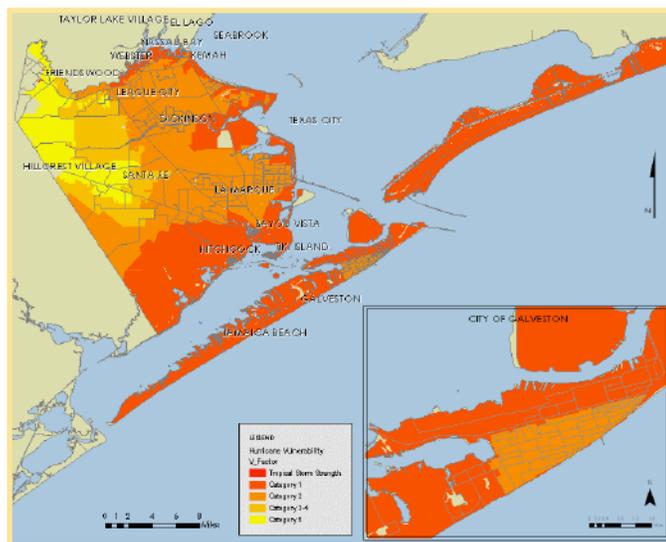
### A Mild Case of Déjà Vu

The similarities between Hurricane Katrina, which struck the city of New Orleans in 2005, and Hurricane Ike are remarkable. Just as the low-income northern portion of Galveston was hardest hit, the Lower Ninth Ward in

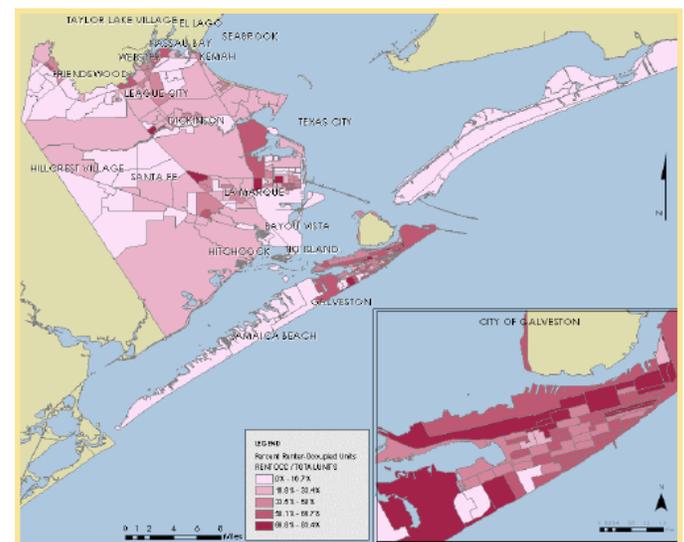
**Chart 2**  
Hurricane Vulnerability Greatest in Areas with High Percentage of Renters

The darker shading in the two Galveston County maps indicates areas with the greatest hurricane vulnerability and the highest concentrations of renter-occupied units in 2000. The areas of greatest vulnerability to storm damage seen in the Federal Emergency Management Agency map at left are highly correlated with areas in the map at right that have very high percentages (50 percent or more) of renter households. The storm surge from Hurricane Ike drove water into Galveston Bay, causing flooding and swamping low-lying areas where much of the county's low-income housing was located.

Areas of Vulnerability



Areas with Renter-Occupied Units



SOURCES: Study by the University of Texas Community and Regional Planning graduate school for the Texas Low Income Housing Information Service. See "Hurricane Ike: Rehabilitation of Affordable Rental Units on Galveston Island," by A. Christina Wild, graduate thesis, UT Austin, Aug. 6, 2009.

New Orleans, home to an overwhelmingly large LMI population, experienced a similar fate.

Many of the low-income and black communities in Galveston remained uninhabited and in disrepair for several months as the recovery efforts moved ahead with great urgency in more affluent areas of the island. Community leaders reported finding only a few dozen homes inhabited in lower-income communities where hundreds once resided.<sup>10</sup> Similarly, following Hurricane Katrina, low-income neighborhoods across the Gulf Coast region sat empty and homes were demolished to make room for businesses, new development and commercial investment.

Another parallel is that both Galveston and New Orleans responded to the disasters by demolishing the majority of their public housing units before identifying a clear path forward for those who once lived there.

### Galveston Lays Out a Plan

In the months following the hurricane, there was much discussion among local leaders about what the city would do with Galveston Housing Authority's public housing stock. Sentiments of "not in my back yard" (NIMBY) against public housing began to surface, and the fate of Galveston's LMI community became more uncertain (see Box 3).<sup>11</sup>

The city unveiled plans that required GHA to demolish its remaining public housing complexes, but the plans were met with stiff criticism from low-income residents, housing advocacy groups and community leaders. The city's long-range plan focused on five main areas: economics; environment; housing and community character; human services; and infrastructure, transportation and mitigation.

Lone Star Legal Aid (LSLA) filed a HUD administrative complaint on behalf of the affected residents in opposition to GHA's demolition plan. Ultimately, LSLA and GHA settled on an agreement under which GHA would replace, on a one-for-one basis, all of the residential public housing units it demolished and ensure that public housing residents had access to other wraparound services such as access to child care, job training and counseling. Ultimately, HUD accepted the settlement plan, and GHA agreed to replace the 569 demolished units with 282 mixed-income housing units, of which 145 would be set aside for public housing. To fulfill the one-for-one requirement, GHA contracted with the Texas General Land Office (GLO) to develop the remaining 384 public housing units on scattered sites across Galveston, 50 of which could be developed outside the city limits as long as they were in Galveston County.<sup>12</sup>

### The Rocky Road to Recovery

The revised agreement for redeveloping Galveston's public housing units was met with criticism. Some island residents and a group called the Galveston Open Government Project began a campaign to stop the rebuilding of public housing in the city. The public housing opponents advocated that government funds should be used to rebuild all neighborhoods and led a strong effort to stop the implementation of the LSLA and GHA plan.<sup>13</sup>

By 2011, 40 public housing units had been rebuilt by the housing authority in pursuit of its goal to replace the 569 units lost during the storm. As the anti-public-housing movement gained momentum, support for GHA's revised redevelopment plan dwindled. GHA came under harsh scrutiny and criticism from both sides of the issue and, in June 2011, the pressure led to the resignation of its executive director, Harish Krishnarao, who had served in the role since 2002.<sup>14</sup>

Additional challenges within GHA led the board of directors to hire an outside consultant to facilitate the rebuilding of the city's public housing units. After soliciting for potential developers, GHA brought in McCormack Baron Salazar to oversee the rebuilding effort as well as provide educational support and social services for public housing residents.<sup>15</sup>

### Galveston Defaults on Its Commitment

During the period of GHA's reorganization, the composition of Galveston's city council changed and council seats transitioned to individuals who recognized the community's strong opposition to public housing.<sup>16</sup>

Proponents of public housing continued to press the city of Galveston and GHA to honor their commitment and move forward with rebuilding the demolished public housing units. Mounting frustration from the Texas Department of Housing and Community Affairs (TDHCA) and others led to housing advocates seeking official assistance from HUD.

On July 13, 2011, HUD administrators formally notified the city of Galveston that it was noncompliant with the Texas Conciliation Agreement under which the city had received federal funding, and its failure to move forward on its commitment to rebuild its public housing units on a one-for-one basis could place the entire state of Texas in noncompliance, stall the distribution of other funds to the state for Hurricane Ike recovery and put Galveston's Community Development Block Grant funding at risk.

### Box 3

#### Roadblocks to Affordable Housing Found Across Texas

In addition to Galveston, other cities across Texas and within the Dallas and Houston areas have faced similar circumstances around affordable public housing.

In 2015, the U.S. Supreme Court addressed the issue of whether communities are allowed to “steer” Low Income Housing Tax Credit (LIHTC) developments to poorer and minority areas. In *Texas Department of Housing and Community Affairs (TDHCA) v. The Inclusive Communities Project, Inc.*, the Supreme Court held in a 5-4 ruling that communities cannot engage in steering housing to low-income areas and determined that this form of housing segregation results in “disparate impact,” which violates the Fair Housing Act.<sup>1</sup> Disparate impact can be defined as any practice that appears neutral on its face, but the results of such action, while unintended, produce a discriminatory effect upon impacted parties.

Some Dallas-area suburbs were found to have violated the Fair Housing Act for refusing to accept or fairly distribute housing vouchers in their cities. McKinney and Flower Mound, for example, were sued by several housing nonprofits for their actions. Additionally, the actions of some of the local city councils to block multifamily apartment projects were found to be in violation.

Despite the Supreme Court decision, many cities are still working to address the issue of how to best allocate low-income housing opportunities in their communities. Cedar Park near Austin, parts of northwest Harris County near Houston, and the city of Midlothian, Texas, all represent areas where housing advocates have argued that residents have limited access to equitable housing options.

#### Note

<sup>1</sup> *Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc.*, 135 S. Ct. 2507 (2015).

In 2013, almost two years after the initial letter of warning from HUD, GLO stepped in and directed the city to either rebuild the public housing units or return all federal funding it had received and not make any additional requests. Galveston’s failure to honor its commitment after taking federal dollars, coupled with its continued noncompliance, had potentially placed the \$3.2 billion received by the state of Texas in jeopardy.<sup>17</sup>

Although GLO was not a partner to the original agreement, the agency was identified to oversee the Texas recovery efforts for Hurricane Ike and was given the authority to ensure the compliance of all program participants.

Upon recommendation of the Galveston city manager, who saw that accelerated repayment would very likely bankrupt the city, city council members finally agreed in April 2013 to move forward on Galveston’s commitment to rebuild the public housing units that were destroyed by Hurricane Ike. The decision was not unanimous. Some members insisted on holding out, saying the city would survive, but when faced with having to repay \$309 million in federal funds and a potential city bankruptcy, the majority of the city council voted to comply with GLO’s request.<sup>18</sup>

Following the city’s decision to move forward with the construction of new public housing units, the Galveston Open Government Project filed a lawsuit in federal district court alleging that rebuilding the units would violate the Fair Housing Act of 1968 and concentrate poverty in areas that were already impoverished and racially segregated.<sup>19</sup> Additionally, the movants claimed that building low-income housing in their communities would have a negative impact in the communities overall, increasing crime and poverty, which would likely decrease home values and result in financial injury.<sup>20</sup> The lawsuit claims were rejected by the district judge hearing the case, and the Galveston Open Government Project appealed to the Fifth Circuit. The Fifth Circuit reviewed the matter and affirmed the district court decision.

#### Construction Finally Begins

Six years after Hurricane Ike made landfall in Galveston County, GHA on Sept. 10, 2014, broke ground on the first of two developments to replace the public housing stock the city lost.<sup>21</sup> This was the first major step toward providing many low-income individuals an opportunity to return home. Following a paradigm advanced by the Atlanta Housing Authority in the early 1990s, GHA pursued a fully integrated mixed-income model, whereby



The Cedars at Carver Park, 122-unit mixed-income development, is shown under construction on multiple city blocks that once housed the Cedar Terrace 139-unit low-income housing project.

Credit: Galveston Housing Authority

some units are set aside for low-income families and the remainder are made available to tenants at normal market rates. GHA placed a 50 percent market-rate minimum on both of these properties to ensure they truly achieved the concept of mixed income.

This mixed-income paradigm can be viewed as a model for communities because advocates argue that it provides low-income families access to better-quality housing, improved services and amenities and a safer environment. Additionally, proponents of economic mobility argue that mixed-income communities can lead to better outcomes for low-income families because of the greater opportunities available in higher-income settings.<sup>22</sup>

## Galveston Public Housing Reopens

GHA spent the next 12 months constructing the Cedars at Carver Park and, in October 2015, the development welcomed its first market-rate and low-income families. Cedars at Carver Park was the first project in the two-phase redevelopment effort and included 62 subsidized and 59 market-rate units. Villas on The Strand,

the second GHA-planned development, included 82 subsidized and 78 market-rate apartments.<sup>23</sup> The total cost of these projects was approximately \$21 million, and they fulfilled a substantial portion of the city of Galveston's responsibilities under the Texas Conciliation Agreement, which the state of Texas sought to enforce in 2013.

## GLO Takes Over

With the completion of GHA's 144 public housing units, it was now GLO's turn to fulfill its commitment of building the remaining 385 public housing units needed to replace the units destroyed during Hurricane Ike. In 2016, GLO began execution of its plan, but after presenting its proposal for the first 97 scattered-site public housing units under HUD's project-based vouchers program, it met with resistance from housing advocates. The advocates argued that the terms of GLO's request for proposals (RFP) violated the conciliation agreement GLO once sought to enforce upon GHA and the city of Galveston.<sup>24</sup>

Under terms of the agreement, the scattered sites were to be built in "high-opportunity neighborhoods" that



After 12 months of construction, the Cedars at Carver Park development welcomed its first low-income and market-rate tenants in October 2015.

Credit: Galveston Housing Authority

would comply with HUD's recent Affirmatively Furthering Fair Housing rule, and residents would be offered wrap-around social services to help improve their outcomes and financial capabilities. Other provisions included energy efficiency as well as structural and maintenance standards with which all developers would have to comply. While location and aesthetic requirements appeared in the RFP notice, housing advocates believed the solicitation did not meet the threshold to sufficiently address long-term affordability, tenant services, home-ownership and property maintenance.<sup>25</sup>

On June 23, 2016, GLO began accepting applications for its first round of scattered-site public housing developments. In the RFP available on GLO's Galveston Rental Housing Replacement Program (GRHRP) website, the state agency sought developer proposals ranging from \$1.5 million to \$9 million. From this solicitation round, GLO selected two developers to participate in the first phase of the redevelopment of Galveston's scattered-site public housing. Delldotto Homes LLC was awarded

20 project-based vouchers, and J&S Ventures LLC was awarded 25 vouchers.<sup>26</sup>

### Social Service Agencies Feel the Pinch

As more LMI families begin to return to Galveston Island, they are finding remarkably different conditions from when they left following Hurricane Ike in 2008. Many of the public housing residents depended on the social service providers on the island, and it was only through this assistance that these families were able to make ends meet.<sup>27</sup>

Prior to Hurricane Ike, LMI individuals could easily locate free or reduced-cost child care and after-school programs as well as job training, health care and crisis management programs at various sites across the island. However, social service providers now struggle to navigate dramatically changed conditions that include higher prices for rental housing, food, health care, transportation and other necessities on the island.

For example, prior to Hurricane Ike, the island was home to a YMCA on 39th Street. This community support facility served many of Galveston’s low-income residents. Since its closure following the hurricane, Galveston-area residents in need of YMCA services have had to drive 25 miles to the nearest facility in League City, Texas.

A review of the Census Bureau’s American Community Survey (ACS) data illustrates the higher rental costs faced by residents across the island. Table 2 shows that the median gross rent in the city of Galveston jumped more than \$100 from 2009 to 2015, reflecting Galveston’s reconstruction but also economic recovery after the 2007–09 Great Recession.

As the problem of finding housing for LMI individuals continued after Hurricane Ike, support for organizations that service these individuals also waned. Some nonprofits on the island were forced to move to the mainland, reduce operations or shut down.

Many in Galveston believe that the new climate on the island disproportionately impacts minorities and those with lower incomes. Increases in property taxes and homeownership costs have resulted in an influx of minorities and elderly persons seeking resources to assist with affordability problems. Take, for example, the three properties listed in Table 3, which are located directly across the street from GHA’s new Cedars at Carver Park development. The appraisal increase from 2009 to 2016 was as high as 162 percent on one property.

Many social service providers have expressed their willingness to continue working with vulnerable populations in Galveston, but they fear that absent new funding streams

and increased support from residents on the island, they may not survive.

The Children’s Center Inc. (TCCI), a private 501(c)(3) organization in existence on the island since the late 1800s, is illustrative of the challenges nonprofits are facing. TCCI has served the Galveston–Houston region by providing programs for children, youth and families who are experiencing homelessness or who have been victims of abuse or human trafficking.

According to President and CEO James Keel, due to problems with community support, TCCI chose to temporarily close its Galveston-area family shelter facilities in late 2016 and move onto the mainland in Brazoria County. This relocation to Oyster Creek in Brazoria necessitated the shelter shuttling its clients to and from Galveston.

Keel says that since its arrival in Brazoria County, TCCI has received overwhelming support from the Brazoria community to continue its operations there; however, to be more effective and efficient in serving Galveston-area families, the organization is making plans to reopen in Galveston. The goal is to operate separate programs in Galveston and Brazoria counties to meet the tremendous needs of homeless families.

TCCI received support from the Galveston County Commissioner’s Court in seeking grant funds for reestablishing services in the Galveston community on Pelican Island, which adjoins the north end of Galveston Island by a causeway. The nonprofit is pursuing TDHCA emergency solutions grant funding for temporary relocation to Galveston and pursuing funding from the Federal Home Loan Bank of Dallas to build permanent facilities for the community on Pelican Island.

**Table 2**

Changes in City of Galveston Median Gross Rent			
	2009	2012	2015
Median gross rent (dollars)	737	813	846
Percent change		10.31	14.8

NOTE: According to the Census Bureau, gross rent is defined as monthly housing-cost expenses for renters and includes contract rent plus the estimated monthly cost of utilities that are paid by the renter or someone else.

SOURCE: Census Bureau, 2009, 2012 and 2015 American Community Surveys.

**Table 3**

Property Values Increase in North-Side Community Near Housing Developments						
Appraisal amount by year						
Property address	2009	2012	2016	Percent change (2009-16)	Year built	Square feet
2915 Sealy	\$53,910	\$68,750	\$141,240	162	1960	2,632
2911 Sealy	\$28,630	\$37,150	\$58,840	106	1984	950
2905 Sealy	\$35,070	\$52,890	\$84,340	140	1999	1,285

NOTE: Addresses are located in the north-side area of the island, which is split into north and south by Broadway Street.

SOURCE: Galveston County Appraisal District.

## The Path Forward

Galveston has faced many roadblocks on its path to recovery after Hurricane Ike. Recent changes at all levels of government have made the future of its recovery even more uncertain. At the federal level, proposed cuts to HUD's Section 8 voucher program will have implications for Galveston and the region because GHA stands to lose roughly 138 housing-choice vouchers, and the immediate surrounding areas could see a total reduction of more than 2,200 vouchers.<sup>28</sup>

Additionally, Galveston's focus on tourism and the burgeoning short-term rental market threaten to further constrict the island's potential long-term affordable rental stock. As one of the more active cities in the short-term rental industry, Galveston has taken an innovative approach to boosting tourism and has incorporated Airbnb (the online rental marketplace and hospitality service) into its economic development strategy. The increased incentives and attractive rewards provided to owners of short-term rental properties on the island has undoubtedly led to more property owners listing their homes as vacation rentals instead of pursuing the stability of the long-term affordable housing market.

With Galveston's economic outlook centered on the leisure and hospitality industry, most residents are either employed or directly influenced by this market. The Pew

Research Center estimated in a 2014 study that more than 55 percent of workers making minimum wage or below are employed in the leisure and hospitality industry, with an additional 15 to 20 percent in industries that are closely aligned.<sup>29</sup> A growing trend found in many cities throughout the nation is that people want to live close to where they work.<sup>30</sup> The absence of affordable-housing stock for those working at or below minimum wage makes it difficult for many island workers to do so.

Michele F. Hay, director of communications for the Galveston Economic Development Partnership, said during the Empowering Texas Communities Conference in March 2018 that more than half of the individuals who work in the roughly 50,000 jobs on Galveston Island commute each day to the island for work. The conference was hosted by the Texas Association of Community Development Corporations and Texas Energy Poverty Research Institute.

The lack of housing options can have a great impact on the Galveston workforce. If individuals who fill lower-wage jobs are unable to find adequate housing on the island, they are likely to seek housing and employment opportunities elsewhere. Ultimately, this will result in fewer workers on the island who can fill the service jobs that are vital to supporting a thriving tourist industry.

This is likely to create a cylindrical effect, where Galveston will miss out on increased consumer dollars,

higher rental occupancy rates, a larger tax base and an expanded workforce.

According to Galveston City Manager Brian Maxwell, who spoke during the Empowering Texas Communities Conference, Galveston had replaced approximately 200 of its public housing units and had approximately 90 scattered-site developments in production. As Galveston approaches the 10-year anniversary of Hurricane Ike, roughly 49 percent of its affordable public housing units have not been rebuilt.

Furthermore, as the northern portion of the island continues to receive renewed attention for its proximity to The Strand Historic District, cruise terminals and industrial areas, opportunities to provide affordable-housing options are diminishing. Investors and developers continue to take advantage of relatively cheaper property costs and have bought up much of the land on the island's northern end that has been left vacant since Ike.

The affordable-housing issues that have plagued Galveston over the past decade are not unique to this region, but many lessons can be taken from the city's experiences.

## **As Galveston approaches the 10-year anniversary of Hurricane Ike, roughly 49 percent of its affordable public housing units have not been rebuilt.**

Financial institutions and community development financial institutions (CDFIs) as well as public and private funders can work with community developers to provide low-cost commercial and residential financing options that increase opportunity for individuals within all segments of society. Nonprofit and community-based organizations should continue their work and look for opportunities to partner with government entities and private companies to provide wraparound services that produce better economic outcomes.

The rebuilding effort in Galveston is a prime opportunity for this type of collaboration. The city of Galveston received more than \$500 million in federal aid to rebuild after Hurricane Ike.<sup>31</sup> If housing advocates believe that the Texas General Land Office has not required for-profit

developers to provide the necessary supportive services, there may be an opportunity for the nonprofit sector to work collaboratively with the land office and its contract award recipients to offer services that meet the needs of public housing residents. The Galveston Housing Authority estimates its current public housing wait list at more than 3,600, and the 380-plus units GLO is responsible for developing are not nearly enough to fulfill the city's current need.

Finally, the important role of philanthropy and the private sector should not be forgotten. The insulated, autonomous nature of these entities makes them best equipped to effect system-level change. Philanthropy has within its grasp the ability to promote independent thinking and ideas. This sector can fund ideas that may have been deemed impossible by scholars, or programs and projects that may be unpopular.

Despite regulatory pressure and judicial decisions that have reemphasized the importance of providing affordable public housing, research indicates that Galveston is far from the finish line with regard to rebuilding its public housing since Hurricane Ike. Providing individuals with access to quality affordable housing, in addition to health care, transportation, employment, education and public services, is paramount.

Galveston can embrace its rich culture and diversity as well as strong public-private partnerships to ensure its recovery process is equitable.

Additionally, local authorities can work with national organizations like Local Initiatives Support Corporation, PolicyLink and Enterprise Community Partners to create long-term, sustainable change within the community. The expertise that these national nonprofits bring to the table is invaluable, and the resources, strategies and best practices they have developed could help Galveston make substantial headway in changing outcomes for its most vulnerable populations.

## Notes

- <sup>1</sup> For more information on neighborhood changes caused by gentrification, see Benjamin Grant's article on the PBS broadcast entitled *Flag Wars* at [www.pbs.org/pov/flagwars/what-is-gentrification](http://www.pbs.org/pov/flagwars/what-is-gentrification).
- <sup>2</sup> For more information, see "The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates," by Raj Chetty and Nathaniel Hendren, Harvard University and National Bureau of Economic Research, May 2015.
- <sup>3</sup> For more information on Chetty and Hendren's Interactive Mapping Tool, see [www.nytimes.com/interactive/2015/05/03/upshot/the-best-and-worst-places-to-grow-up-how-your-area-compares.html?\\_r=0](http://www.nytimes.com/interactive/2015/05/03/upshot/the-best-and-worst-places-to-grow-up-how-your-area-compares.html?_r=0).
- <sup>4</sup> "Future of Galveston's Public Housing in Doubt after Ike," by Roma Khanna, *Houston Chronicle*, Oct. 19, 2008.
- <sup>5</sup> See note 4.
- <sup>6</sup> "How Ike and Future Hurricanes Impact Black Households Disproportionately," by John Henneberger, Texas Low Income Housing Information Service, June 10, 2009.
- <sup>7</sup> See note 6.
- <sup>8</sup> "The Calm before the Storm," by Robert Draper, *Texas Monthly*, August 2015.
- <sup>9</sup> "Rental Housing Most Vulnerable in Hurricane Ike Shortchanged in Reconstruction Plan," by John Henneberger, Texas Low Income Housing Information Service, June 11, 2009.
- <sup>10</sup> "The Castaways: Can Galveston's Black Community Survive the Island's Comeback?" by Forrest Wilder, *Texas Observer*, December 12, 2008.
- <sup>11</sup> "People Trailing in Wake of Poor Image," by Heber Taylor, *Galveston County Daily News* editorial, Nov. 25, 2008.
- <sup>12</sup> For more information on GHA Reconstruction Plan, see [www.ghatx.org/dev\\_reconstruction.html](http://www.ghatx.org/dev_reconstruction.html).
- <sup>13</sup> See the Galveston Open Government Project website at [www.galvestonogp.org/Galveston-Housing-Authority.html](http://www.galvestonogp.org/Galveston-Housing-Authority.html).
- <sup>14</sup> "Galveston Housing Leader Resigns," by Harvey Rice, *Houston Chronicle*, June 13, 2011.
- <sup>15</sup> "Galveston Housing Authority Breaks Ground on Mixed-Income Housing Projects," by John Wayne Ferguson, *Galveston County Daily News*, Sept. 10, 2014.
- <sup>16</sup> "Galveston Ends Defiance on Housing," by Harvey Rice, *Houston Chronicle*, April 17, 2013.
- <sup>17</sup> "State Halts Galveston Funding over Failure to Build Public Housing," by Jerry Patterson, Texas Low Income Housing Information Service, April 11, 2013.
- <sup>18</sup> See note 16. The Dallas Fed contacted the city of Galveston in 2017 but was unable to obtain more information on the decision-making behind the rebuilding process as a result of changes in the council's composition since Hurricane Ike.
- <sup>19</sup> *McCardell v. HUD*, 794 F.3d 510, 523-524 (5th Cir. 2015).
- <sup>20</sup> See note 19.
- <sup>21</sup> "Galveston Housing Authority Declares Firm Commitment to Fair Housing as Construction Begins," by John Henneberger, Texas Low Income Housing Information Service, Sept. 13, 2014.
- <sup>22</sup> For more information, see "Effects from Living in Mixed-Income Communities for Low-Income Families," by Diane K. Levy, Zach McDade and Kassie Dumlao, Metropolitan Housing and Communities Center, Urban Institute, November 2010.
- <sup>23</sup> "After Seven Years, Galveston Public Housing Finally Reopens," by Harvey Rice, *Houston Chronicle*, Oct. 4, 2015.
- <sup>24</sup> "State Interference Threatens Galveston's Promise of Equitable Disaster Recovery," by John Henneberger, Texas Low Income Housing Information Service, July 14, 2016.
- <sup>25</sup> See note 24.
- <sup>26</sup> For more on the GLO rebuilding effort in Galveston, see <http://texasrebuilds.org/Pages/Multi-family-Rental-Recovery.aspx>.
- <sup>27</sup> The observations are based on the author's community interviews with residents of the Galveston Island Salvation Army facility.
- <sup>28</sup> "Estimates of Housing Voucher Cuts for Each Texas City Under President's Budget," by John Henneberger, Texas Low Income Housing Information Service, March 17, 2017.
- <sup>29</sup> "Who Makes Minimum Wage," by Drew Desilver, Pew Research Center, Sept. 8, 2014.
- <sup>30</sup> "More New Jobs Are in City Centers, While Employment Growth Shrinks in the Suburbs," by Claire Cain Miller, *New York Times*, Feb. 24, 2015.
- <sup>31</sup> See "Galveston Still Recovering 2 Years After Ike," Associated Press article, *Victoria Advocate*, Sept. 13, 2010, [www.victoriaadvocate.com/news/2010/sep/13/bc-tx-ike-anniversary](http://www.victoriaadvocate.com/news/2010/sep/13/bc-tx-ike-anniversary).