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Galveston Still Holding Out in Public Housing Fight

By Robbie Whelan

Housing officials in Galveston, Texas have revealed that they have a stubborn streak.



Robbie Whelan for The Wall Street Journal

Irwin 'Buddy' Herz, newly-appointed chairman of the Galveston Housing Authority, in his office in 1 Moody Plaza.

Earlier this month, [the Journal visited](#) Galveston to report on a controversy surrounding the re-building of some public housing projects that were destroyed by Hurricane Ike in 2008. For more than a year, federal officials at the Department of Housing and Urban Development have been pressuring the city to rebuild the housing. Last month, HUD Secretary Shaun Donovan summoned the city's leaders to Washington to give them the message in person: rebuild or risk losing \$586 million in disaster aid that the city of Galveston needs to repair roads, water treatment facilities and other infrastructure that still sits, even today, in disarray from storm damage. Mr. Donovan asked for a plan within 30 days.

Over the weekend [came the news](#) that the city had agreed to lift a ban on mixed-income housing, but in an interview Monday, Irwin "Buddy" Herz, chairman of the Galveston Housing Authority's Board of Commissioners, said the city is not going to meet that deadline, and suggested that the issue be brought before a federal court judge for arbitration.

"My proposal was for the parties to all get together and take it to the federal judge and let him decide what's the right number" of public housing units to rebuild, Mr. Herz tells *Developments* in an interview. "Galveston doesn't want to be the dumping ground for every city's waiting list of people needing low income housing."

This latest twist is just the latest in a saga that has consumed the island city's politics for most of this year,

but it also has national implications: The economic crisis has been hard on low-income renters, and the supply of affordable housing for the poor [is dwindling](#).

This has led to clashes [in Louisiana](#) and in [New York's Westchester County](#), where HUD is quarreling with local officials over the construction of about 750 units of housing slated for wealthy neighborhoods, and lately, over whether or not landlords must accept federal housing vouchers as payment for rent.

The background to the Galveston controversy is this: in 2008, flooding from Hurricane Ike destroyed 569 units of public housing, and Texas housing advocates insisted that the city be required to replace them using funds from federal aid tied to the storm. After multiple complaints lodged with the U.S. Department of Housing and Urban Development, in 2010, the city's then-mayor, Joe Jaworski, agreed to a plan to rebuild the housing as part of what's called a mixed-income community.

The drama ramped up this Spring, however, when Lew Rosen, a conservative businessman, ran against Mr. Jaworski on a promise not to rebuild the projects, and unseated him in a run-off election in June.

In recent weeks, the housing authority has been negotiating with Texas's General Land Office, a state agency that administers the storm disaster funds, and the body that signed one of the two agreements in 2009 that require the city to rebuild the public housing units. But so far, HUD has received no official plan.

The latest developments, according to one senior HUD official, constitute "a further delay tactic" meant to put off a solution to the situation.

"The deadline was meant to communicate the severity of this," said the HUD official, who declined to be quoted by name. "We believe the time for debate is over. There has been enough discussion, enough analysis of these issues, for the city to come up with a plan. This was a central issue to the campaign, and the campaign is over. It's now time for them to give people who were displaced a chance to come home."

(Galveston officials say they aren't delaying and that they are working on a plan – there has just been some confusion about the actual date of the deadline.)

Much of the pushback HUD has gotten on the issue of low-income housing takes the same form: local officials argue that the federal government is impinging on municipal sovereignty, and that the cities are being "[informed rather than consulted](#)" about what's best for them. [Mr. Herz](#), in a column in Sunday's Galveston Daily News, noted that the city is essentially powerless in this situation: if the city rejects HUD's plans, along with plans from the state agency, both of which are "exempt from city requirements relating to zoning, building code," then state housing officials will probably just build the new projects out themselves.

This style of governance does not sit well with Galvestonians, a maverick lot who used to refer to their city, once a hub of gambling with an active red-light district, as the Free State of Galveston. Power and wealth in Galveston have been concentrated into the hands of a handful of leading families — Moody, Kempner, Mitchell and Maceo – for most of the last century. Their names are ubiquitous to this day on street signs, parks, tourist attractions and hotels. The city's tallest building houses the American National Insurance Co., a \$2 billion company specializing in life insurance and annuities that was founded in 1905 by the Moody and Kempner families.

Locals in Galveston talk of the population as divided between "B.O.I.s" – those Born On the Island – and "I.B.C.s" – Islanders By Choice – depending on where they come from. The political culture is insular and fiercely independent.

“People in Galveston think that the laws stop at the bridge,” said Mr. Jaworski, the former mayor, when I had lunch with him in Galveston last month.

All this may contribute to why Galveston continues to hold out, without a plan to resolve the situation to HUD’s liking. And it’s certainly not lost on anyone that this is an election year, and the outcome in November could have some bearing on what happens in Galveston.

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