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## Renters hit hard by increases

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GALVESTON — In the weeks following Hurricane Ike, when island residents were scrambling to find someplace dry to live, landlords could double their rental rates and still take their pick of tenants.

Assisted by federal disaster subsidies, islanders didn't have to worry much about how expensive it had become to live in Galveston.

But almost one year later, the subsidies are running out.

Rental rates aren't as high as they were right after the storm, but they're still higher than many people can pay on their own.

If the market doesn't correct itself soon, the island could see a secondary post-storm exodus as renters cross the causeway in search of an affordable place to live, property experts said.

### Subsidies Raise Rates

Immediately after the storm, rental rates jumped as much as 40 percent because supply was low and demand was high, Judy Blizard, a property manager with Joe Tramonte Realty, said.

Hurricane Ike flooded 75 percent of the island, damaging almost all of the city's apartment complexes and many of its rental houses and duplexes.

As landlords started making repairs and more properties became available to rent again, rates might eventually have gone back to their pre-storm rates.

But when the federal government launched its rental assistance program, officials set the reimbursement rates 25 percent higher than the fair market rates established by the U.S. Department of Housing and Urban Development.

The federal government agreed to pay \$770 per month for an efficiency apartment that would have rented for about \$620 before the storm. A three-bedroom apartment worth \$1,100 per month a year ago now is worth \$1,383, according to federal guidelines.

### Market Forces

Although the government subsidies effectively guaranteed rental rates would increase, they did not create an artificial inflation, Galveston Housing Authority Executive Director Harish Krishnarao said.

Krishnarao urged representatives from the Federal Emergency Management Agency and later the federal housing department to pay more for rental reimbursements because that's what landlords were asking for, he said.

Without the increased reimbursements, none of the families displaced by the storm would have been able to find a place to live unless they could afford to make up the difference between the subsidies and the rental rate, Krishnarao said.

While some people might blame the federal subsidies for keeping the rates high, they really helped keep them from out-of-control increases, Bob Pisaturo, president of the Galveston County Apartment Association, said.

"People said they would pay anything because there was nothing available," he said. "The government set the market and also controlled it."

### On Their Own

The Disaster Housing Assistance Program started in November 2008 and ends in March 2010.

About 2,900 displaced islanders are enrolled, according to the housing authority, which manages the program for the federal government.

When it started, anyone left homeless by the storm was eligible for assistance. But starting in July, participants who had received assistance for six months had to prove their rental payments were more than 30 percent of their income to stay on the program.

So far, 190 families have stopped getting assistance because they make too much money, housing authority officials said. Most of them probably were renting before the storm, officials said.

### No Longer Affordable

Some of the people coming off the disaster housing assistance program are going to

discover they can't afford to live on the island any more, Wanda Griggs, owner of Gulf Apartment Locators, said.

The people who will struggle the most to make their rent payments are the people who already are having a hard time making ends meet, said Buzz Elton, president of Spectrum Organization, which owns and manages several island properties.

"This is a challenging time for people in marginal lifestyles," he said.

Overall, rental rates are now about 15 percent higher than they were before the storm, Blizard said.

Most people who can pay for more expensive rental properties haven't complained about the increase, but it's now much harder to find anything to rent for less than \$600 a month, she said.

### More Supply Than Demand

Most property managers and housing officials agree rental rates never will go back to their pre-Ike levels.

But they slowly are coming down as more properties are repaired and come back on the market.

Rate increases were reasonable after the storm because so many units were completely remodeled and were in much better shape than before, Griggs said. After spending so much on repairs, increasing the rates was natural for landlords, she said.

But with Galveston's population still about 10,000 less than it was before Ike, landlords are having a hard time filling their vacant units, Griggs said.

"Part of what drove the increase after the storm was supply and demand," she said. "Now we have more of a supply than demand."

Even with the unusual combination of higher rents and more vacancies, Pisaturo doesn't think the rates will drop much below where they are now.

The Ike adjustment brought Galveston's rents more in line with where they should have been in the first place, he said.

"Rents are still lower here than they are in Houston, but they're not a few galaxies away, like they were before," he said.

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