

HOUSTON★CHRONICLE

HoustonChronicle.com and chron.com | **Saturday, October 19, 2013** | VOL. 113, No. 6 | WE RECYCLE | \$1.00 ★★★

f Houston Chronicle @HoustonChron

TEXAS COAST

Flood insurance law to be costly

By Kiah Collier

Home and business owners in coastal Harris County communities will lose more than \$270 million in property values as a controversial flood insurance reform law takes full effect in the coming years, according to an economic impact study released this week.

The study, commissioned by the county, also found the Biggert-Waters Flood Insurance Reform Act of 2012 would cost those coastal communities millions in property taxes and economic activity.

The law, overwhelmingly passed by Congress last year, was designed to stabilize the insolvent National Flood

Insurance Program by phasing out subsidized flood insurance rates, increasing them 20 percent to 25 percent a year until they reflect true flood risk. The program is \$25 billion in debt after Hurricane Katrina and Superstorm Sandy.

Under the law, flood insurance rates will increase sub-
Shoreacres continues on A15



In 2008, Hurricane Ike caused widespread damage to homes in Shoreacres. Flood insurance rates are now rising in the town and other coastal communities.

James Nielsen
Houston Chronicle

FROM THE COVER

Shoreacres, Nassau Bay to be hit hard

Shoreacres from page A1

stantially for hundreds of thousands of policyholders nationwide. Nassau Bay resident Rodney Dunklee, for example, is expecting his annual premium to soar from \$1,700 to more than \$25,400 in the next few years.

While only a fraction of home and business owners will see those kinds of dramatic spikes countywide, the study found that they are concentrated in coastal municipalities such as Shoreacres and Nassau Bay, where a majority of properties are slated for high-risk flood zones under new flood insurance rate maps.

The study, a collaboration between Harris County, a League City engineering firm and a pair of economics professors at the University of Houston-Clear Lake, found those areas will see a combined \$270.3 million in losses to property values when premiums

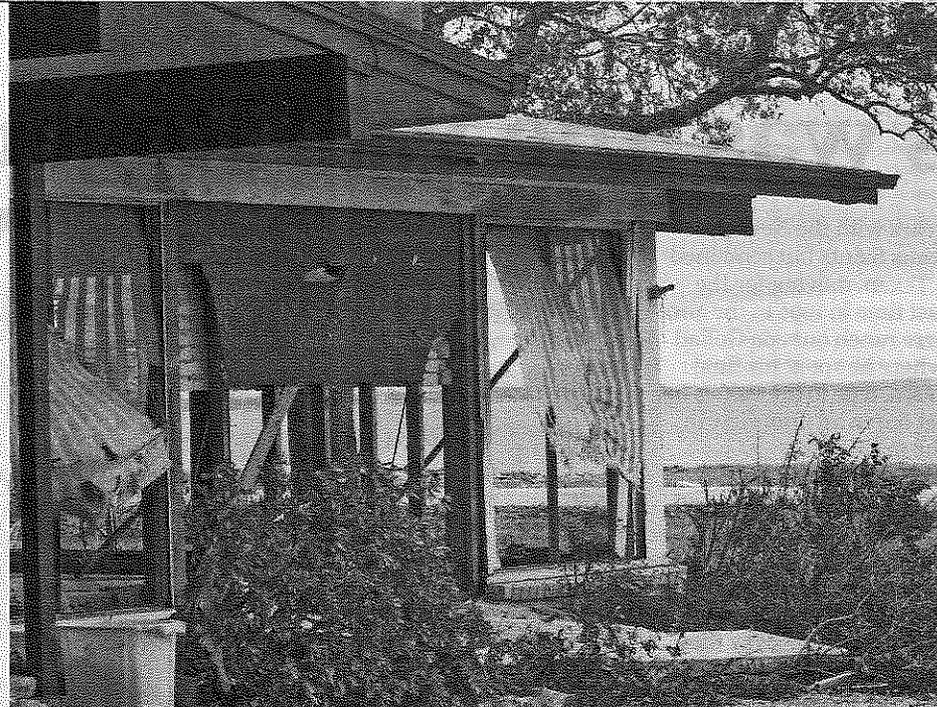
reach full risk rates. Economic activity would decrease by \$43.1 million as a result of people having less disposable income and property taxes would decrease by \$5.8 million, including nearly \$3.3 million in school taxes.

“For localized regions, the effects can be quite large,” said Stephen Cotten, one of the professors who worked on the study. “Shoreacres in particular is just going to get walloped by this.”

More trouble

Of the more than 270,200 flood policies in Harris County, only about 20,900, or nearly 8 percent, are subsidized. Of those, 21 percent — or .2 percent of all the home and business properties in the county — are subject to the kinds of flood insurance rate increases that took effect this month under Biggert-Waters, the study found.

The changes under the law are compounded, officials and residents say,



Johnny Hanson / Houston Chronicle file

Many homes in Shoreacres suffered heavy damage in Hurricane Ike. The small community is going to be “walloped” by the new insurance law, one expert says.

by new flood insurance rate maps that put thousands more Houston-area homes into riskier flood zones.

The Federal Emergency Management Agency released preliminary maps for coastal Harris County in March, took public comment on them this summer and is planning to open an appeals period.

Veteran Clear Lake-area Realtor Priscilla Ennis said, “It’s still a busy market, but people are reluctant to purchase in areas where the flood insurance has just gone off the charts.” She said

that was true in two ZIP codes in particular — one of them in Nassau Bay.

One of her clients, Jack Boze, of Kemah, has had his house on the market for months and says several potential buyers have been scared away by high flood insurance quotes.

Adjustments possible

Harris County Commissioner Jack Morman, whose Precinct 2 is home to the study area, said he thinks the findings confirm “that it’s going to have a huge impact on our economy.”

Morman, who lives in Shoreacres, and other

officials and residents in Texas and other states who are protesting the law have been comforted by assurances from congressional representatives — including one of the law’s co-authors, Rep. Maxine Waters, D-Calif. — that adjustments will be made to minimize the impact. Lawmakers, however, failed to act before a major provision took effect on Oct. 1, the day the federal shutdown began.

That provision increases rates for policies on secondary homes, business properties and “severe repetitive loss”

properties, those that have flooded often. It also bars the transfer of subsidized rates to new homeowners and does not allow lapsed policies to be renewed without increases.

The study recommends keeping so-called “grandfathered” rates for properties that were built to the elevation required at the time and have maintained policies and not suffered repetitive losses.

“Hopefully, now that they’re all back to work, we can regain the momentum I think we had before the shutdown,” Morman said.

Law has supporters

Proponents of Biggert-Waters, including the insurance industry, say the law is needed and that nonsubsidized policyholders, who have supported subsidized ones by paying higher-than-risk rates, have been unfairly treated.

“I have no problem with the hike,” Bellaire resident Ken Marx wrote in an email.

“I am tired of subsidizing those who buy in flood-prone areas. If they want to live there, then pay the price. Ignorance is no excuse.”

*kiab.collier@chron.com
twitter.com/kiabcollier*