



INSURANCE COST CRISIS JEOPARDIZING AFFORDABLE HOUSING

Dr. Daniel Elkin

Director of Policy

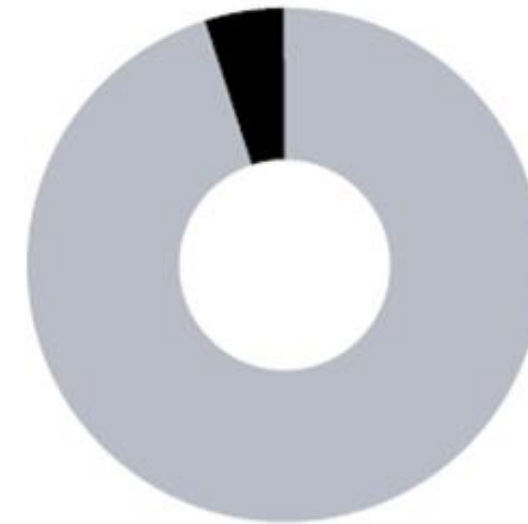
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> THE LONGTERM IMPACT ON HOUSING

Rental units across the Rio Grande Valley have seen dramatic price increases as multi-family owner-operators pass the cost onto their tenants (average increase of 22% since 2018). This is exacerbated by increased insurance costs, pushing affordable units out of the market:

- Nonprofit developers unloading multifamily portfolios
- Older units becoming uninsurable
- Slow down in new developments

EFFORTS TO MANAGE INCREASED COSTS DUE TO HIGHER PREMIUMS

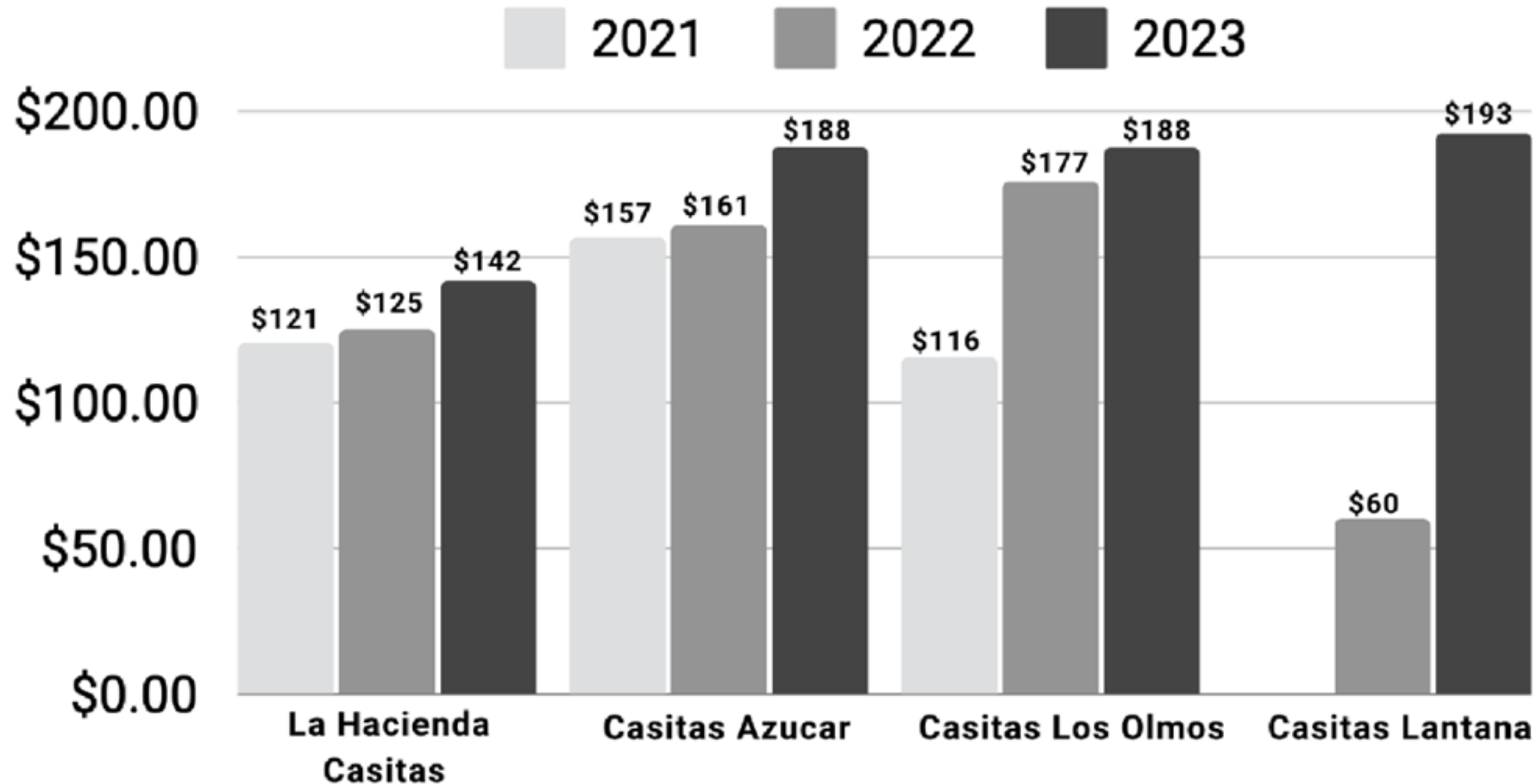


95% ARE OR PLAN ON TAKING ACTION TO MANAGE COSTS.

● 95% ● 5%

Affordable housing providers are trying to avoid raising the rent on their MFH by reducing operating costs, increasing deductibles, switching insurance providers, **and even laying off staff.**

> CDCB'S INSURANCE COST, PER UNIT, PER MONTH



2023 LOSSES

Casitas Azucar

-\$505.13

Casitas Los Olmos

-\$185.66

Casitas Lantana

-\$69.04

La Hacienda Casitas

-\$56.10

> **Insurance costs are at a historic high**

- 25% of LIHTC revenue went to insurance, making it the main beneficiary of cdcb's LIHTC properties.

cdcb's insurance on LIHTCs increased nearly \$40,000

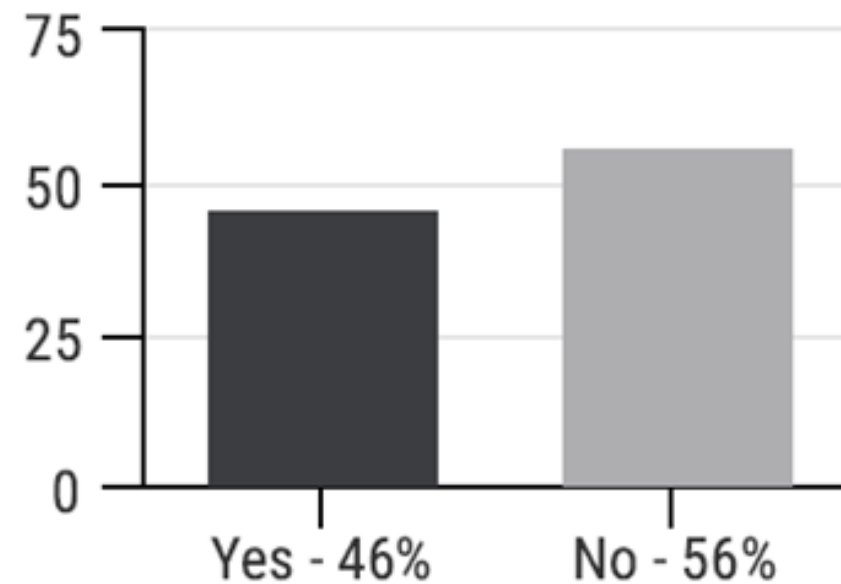
Low Income Housing Tax Credit Developments (LIHTC), the main source for affordable units nationwide, face insolvency and extinction if cost gaps continue to increase due to insurance.

Insurance coverage has become the #1 issue for developers across Texas.

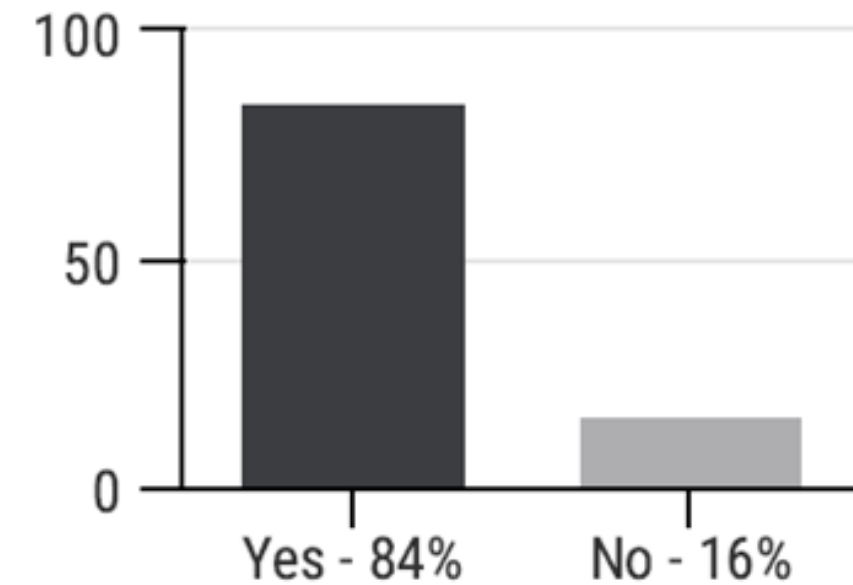
> THE IMPACT ON HOUSING PROVIDERS

CDCs and MFH Developers have experienced an increase in deductibles and premiums and have had to reduce coverage in order to keep costs low, but it is not enough. Increase in costs have trickled down to tenants, as some CDCs were forced to increase rents in order to continue operating.

Have you had to reduce coverage or make any compromises in coverage due to rising insurance costs?



Do you see the rising cost of insurance as a threat to your business model moving forward?



Source: TACDC Member Survey

What can policymakers do?

>Federal Level

Nonprofit Property Protection Act

- Allow Risk Retention Groups (RRG) for the purposes of property insurance, with the following edits:
 - Bill must be changed to: Allow affordable housing RRGs to immediately sell property insurance and remove \$50 million TIV cap

What can policymakers do?

>Federal Level

INSURE Act | Adam Schiff (D-Calif.)

- **Incorporating National Support for Unprecedented Risks and Emergencies Act**
 - Establish a Federal Catastrophe Reinsurance Program within the Department of the Treasury to cap insurers' liability in the case of a catastrophic event above a threshold developed by the Secretary and an advisory committee of experts.
- Co-Sponsors: Zoe Lofgren (D-Calif.), Rashida Tlaib (D-Mich.), Julia Brownley (D-Calif.), Kevin Mullin (D-Calif.), Andrea Salinas (D-Ore.), Val Hoyle (D-Ore.)
- House Committee on Financial Services
 - TX Members
 - Pete Sessions, Roger Williams, Al Green, Vicente Gonzalez, Sylvia Garcia, Monica De La Cruz

What can policymakers do?

> State Level

Rate Review

- The state must push for a more rigorous insurance rate review, which has not been conducted since 2003.

Sales Tax Exemption

- Sales Tax exemptions for Community Development Housing Organizations (CHDOs).