

INSURANCE COST CRISIS JEOPARDIZING AFFORDABLE HOUSING

FACT SHEET

February, 2024



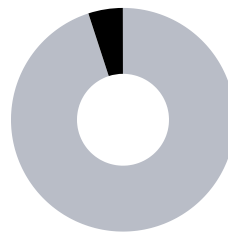
Low Income Tax Credit Developments, the main source for affordable units nationwide face insolvency and extinction if cost gaps continue to increase due to insurance.

> 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

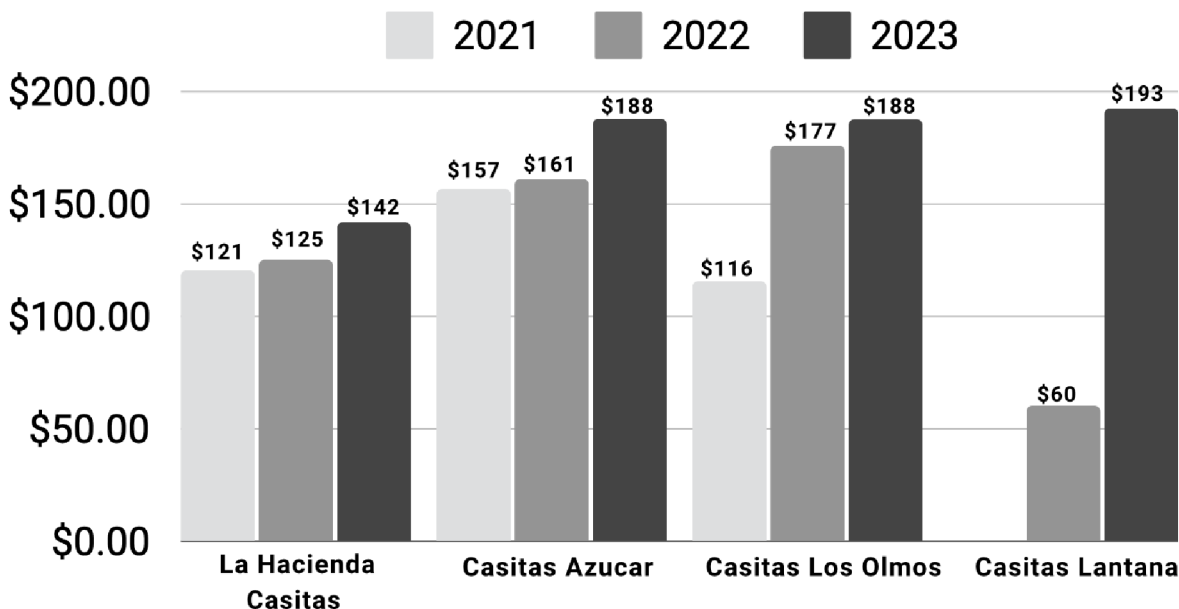


95% ARE OR PLAN ON TAKING ACTION TO MANAGE COSTS.

● 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

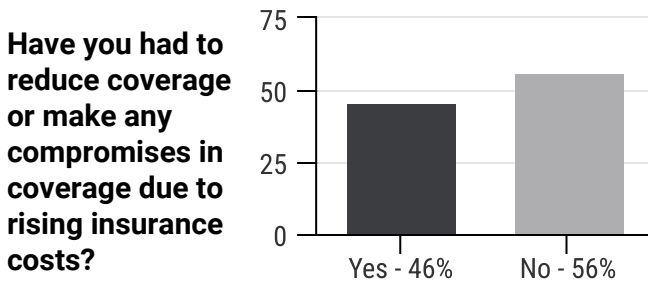
La Hacienda Casitas

-\$56.10

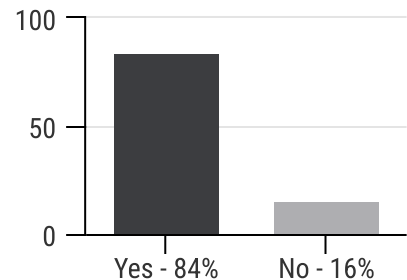
Insurance coverage has become the #1 issue for developers across Texas.

> 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.



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



Source: TACDC Member Survey

> RISE IN INSURANCE HAS LED TO:



Increased Rents

Cutting Costs

Staff Lay-Offs

What can policymakers do?

Federal Level

Pass the Nonprofit Property Protection Act which would allow Affordable Housing organizations to create Risk Retention Groups (RRG) for the purposes of property insurance.

In effect, this would allow nonprofit developers of affordable housing to create their own insurance market, introducing efficiencies that would dramatically drive down price.

State Level

The state legislature must conduct its own rate review, which it has not done since 2003. Currently, the Texas Department of Insurance is asleep at the switch; greenlighting increases of 20% to 30% without comprehensive reviews of market dynamics.