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BAHEP and national flood insurance coalition score major victory in Congress

Last summer, the Bay Area Houston Economic Partnership (BAHEP) joined forces with the Coalition for Sustainable Flood Insurance (CSFI) to convince members of Congress that the Biggert-Waters Flood Insurance Act of 2012 (BW-12) would have devastating consequences for many thousands of people and businesses across the na-

tion. Late in the day on March 13, 2014, the Senate passed House Bill 3370, the Homeowner Flood Insurance Affordability Act of 2014.

cent of the total coverage provided. The changes will be funded by a \$25 surcharge on residential policies and a \$250 surcharge on premiums for businesses and non-primary residences.

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worked hard to get this done, and they should be very proud of such a major accomplishment. David Braun at BAHEP spearheaded the effort in Texas, and I want to thank him for the untold number of hours he spent to help get the legislation passed."

CSFI is staffed by Greater New Orleans, Inc. (GNO, Inc.) where Caitlin Berni led the effort. Mayor Daniel McJunkin of Simonton, TX, sent Berni and Braun a message just after the bill passed the Senate by a vote of 72-22.

He wrote, "Caitlin and David, congratulations to you both, as well as to everyone across our nation, that helped to make this successful outcome happen. I haven't seen this level of bi-partisan support in many years. On this issue, our Congress has put partisan brinksmanship

aside and did the right thing for the right reason. NONE of it this would have happened without the awareness that was brought to our legislators by groups such as yours.

"On behalf of the City of Simonton, please thank everyone for the hours and days spent on this issue. Thanks to your strong leadership and organized pursuit of a victory, many

thousands of homeowners will be able to keep their homes and their equity. Thanks to you and your respective organizations, the housing markets will remain intact."

Braun stated, "The passage of the new bill goes a long way toward fixing the problems caused by BW-12. It no longer imposes drastic rate increases on those who have played by the rules, paid their policies on time, and whose houses and businesses have not flooded. I want to thank those members of Congress who recognized that fixing BW-12 was the right thing to do for the good of their constituents and the country."

This legislation, now passed by both the House and the Senate, was sent to President Obama. He signed it into law on March 21st.

New bill provides much needed relief for nation's homeowners

The following sections of the Homeowner Flood Insurance Affordability Act of 2014 are of particular interest to homeowners:

Section 3. Repeal of Certain Rate Increases.

– Repeals certain BW-12 rate increases for properties sold after BW-12 enactment (July 2012); new policies issued after BW-12 enactment; and, policies that lapsed after BW-12 enactment unless the decision to permit a lapse is because the property covered is no longer required to retain such coverage. Repeal is effective "as if it were enacted as part of" BW-12.

This section also requires that any refunds to policyholders are to be issued directly by FEMA and allows a new purchaser to assume the policy for certain properties upon transfer of title.

Section 4. Restoration of Grandfathered Rates.

– Repeals section 207 of BW-12 and restores policyholders' ability to continue to receive "grandfathered" rates for properties remapped to higher rate category.

See below Section 5 for provisions setting minimum and maximum rate and premium increases for all policies, including grandfathered policies.

Section 5. Requirements Regarding Annual Rate Increases.

– This section caps maximum average annual RATE increases at 15

percent (BW-12 had 20 percent cap); creates a new 5 percent minimum average annual rate increase for subsidized and grandfathered properties; caps maximum annual premium increase at 18 percent of prior year's premium for all properties not subject to the higher 25 percent increase for second homes, commercial properties and severe repetitive loss properties. **Section 6. Clarification of Rates for Properties Newly Mapped into Areas with Special Flood Hazards.** – Clarifies that newly mapped properties are treated like other subsidized and grandfathered properties. Allows newly mapped properties to enter the NFIP at the preferred risk premium and phase-in to full risk premium subject to the same minimum and maximum rate and premium increases detailed in Section 5.

Section 7. Premium and Reports.

– Requires FEMA to report to Congress all "policies with annual premiums that exceeded one percent of the total coverage provided by the policy."

Section 8. Annual Premium Surcharge.

– Creates new surcharge of \$25 per primary residence and \$250 per each second home or commercial property to cover "cost" to repeal certain BW-12 rate increases.

Surcharge continues until all policyholders are paying full risk premiums. Requires surcharge to be deposited into Reserve Fund created by BW-12.

Section 12. Optional High-Deductible Policies for Residential Properties.

– Requires FEMA to offer flood insurance policies with deductibles up to \$10,000 and that policyholders be notified that the policyholder is responsible for "losses to the extent of the deductible selected."

Section 14. Accounting for Flood Mitigation Activities in Estimates of Premium Rates.

– Requires that FEMA consider property owner or renter mitigation activities in developing flood rates.

Section 18. Fund to Reimburse Homeowners for Successful Map Appeals.

– Requires FEMA to reimburse property owners for successful map appeals and includes a provision to allow them to be paid for using funds as necessary.

Section 23. Study of Voluntary Community-Based Flood Insurance Options.

– Requires FEMA to conduct a study on the viability of offering community-based flood insurance policies.

Section 30. Mapping.

– Requires FEMA to notify communities of remapping as well as models used in the mapping process. Members of Congress are also to be notified of proposed flood map changes within the relevant state or congressional district. (Note: Additional sections are explained on BAHEP's website at www.bayareahouston.com/content/flood_insurance/flood_insurance)



tion. Late in the day on March 13, 2014, the Senate passed House Bill 3370, the Homeowner Flood Insurance Affordability Act of 2014.

This legislation significantly changes the Biggert-Waters flood insurance law by addressing a number of unintended consequences stemming from the legislation. It reinstates grandfathered status for properties built to code before flood maps were adopted, allows new purchasers to assume existing flood policies when buying a property, and calls for accurate flood maps and gradual rate increases. It caps the maximum average annual rate increases at 15 percent, creates a new 5 percent minimum average annual rate increase for subsidized and grandfathered properties, caps the maximum annual premium increase at 18 percent of the prior year's premium for all properties not subject to the higher 25 percent increase for second homes, commercial properties and severe repetitive loss properties. It also directs the Federal Emergency Management Administration (FEMA) to minimize the number of policies with annual premiums over one per-

cent of the total coverage provided. The changes will be funded by a \$25 surcharge on residential policies and a \$250 surcharge on premiums for businesses and non-primary residences.

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Economist Dr. Bill Gilmer reports that times are good in Houston

Dr. Robert W. (Bill) Gilmer delivered an "Annual State of the Economy Report" to members of the Bay Area Houston Economic Partnership during a lunchtime meeting held March 5, 2014, at Landry's restaurant on the Kemah Boardwalk.

Gilmer is director of the Institute for Regional Forecasting in the University of Houston's Bauer College of Business and a noted national economist.

In looking at the big picture, he stated, times have been good in Houston. Since 2003, Houston has added about 420,000 jobs. "We did suffer from the financial crisis and lost about 100,000 jobs. Those jobs were back by the end of 2011. In 2012, we added another 100,000 and about 80,000 jobs in 2013 according to preliminary numbers," Gilmer reported.

He added that the price

of oil is what always separates Houston's economic performance from the rest of the country. An unprecedented boom in oil and gas exploration has shaped Houston's economy for a decade. Energy has driven Houston's growth in recent years, especially the upstream drilling cycle. Gilmer said, "It is no exaggeration to call this the biggest American oil boom ever."

Since 2007, drilling has shifted from 20 percent horizontal drilling to over 60 percent. Gilmer explained that this is important to Houston service companies, because the horizontal drilling and fracturing is far more resource intensive than a typical vertical well, creating greater revenues. Most forecasts, he noted, point to a pick up in exploration and production expenditures by about seven percent in 2014 compared to 20 percent per year in-

creases from 2002-2012.

Oil prices are critical to the health of both the U.S. and global drilling markets. Price needs to remain above \$65-\$75 per barrel to make this work, Gilmer said. Since 2003, Houston's ability to grow faster than the U.S. has been its ability to reach past a slow-growing U.S. economy and benefit from emerging markets. According to Gilmer, the growth of emerging markets has helped Houston in two ways. First, it provides a market for our exports, and second, it keeps oil prices high. Houston passed New York in 2012 to become the nation's leading exporting metro area. Eighty percent of the exports are made up of crude oil, oil products, petrochemicals, and machinery.

However, Gilmer stated, the price of oil depends on emerging country growth, and the emerging nations



Prior to his "Annual State of the Economy" presentation, Dr. Robert W. (Bill) Gilmer (left) spoke with Dan Seal, BAHEP's executive director for Special Initiatives. The event was held at Landry's on the Kemah Boardwalk.

are looking a little tired. Growth slowed significantly in these countries over the last couple of years: China from 10 to 9 to 8 and to 7 percent; India from 9 to 8 to only 3 percent last year; Brazil from 6 percent in 2010 to less than one percent in 2012. According to the International Monetary Fund, however, growth is expected to reaccelerate. The latest IMF forecast for global growth sees a soft-landing for world economic growth, moving

back to above the long-term trend of 3.5 percent to about 4 percent in 2014 and beyond. For oil, in particular, the IMF sees price above \$85 per barrel through 2018.

This is definitely good news for Houston, and to learn more about why times will remain good in Houston, check out the remainder of [Gilmer's presentation](http://www.bayareahouston.com/content/News_Events_and_Reports/presentations_2) on BAHEP's website at www.bayareahouston.com/content/News_Events_and_Reports/presentations_2

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