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## Property values rebound strongly after flood insurance scare of 2013



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Thursday, July 10, 2014 11:32am

Gov. Rick Scott and politicians from the Tampa Bay area to the Washington beltway rang the warning bell last year. So did real estate agents struggling to sell homes in flood-prone areas of Florida.

Soaring flood insurance rates, they warned, threatened to wreak havoc on property values throughout the state. In the cross-hairs, in particular, was Pinellas County, which had more older, low-lying homes facing a sharp flood insurance increase than any other county nationwide.

Now there's evidence that a congressional fix early this year to stall the harshest of the rate hikes coming under the National Flood Insurance Program has stabilized property values. At least in ground zero of Pinellas County.

In fact, the market rebound from the flood insurance scare has been strong enough that Pinellas property owners receiving their tax bills in the fall may be surprised to discover home values are rising by double digits nearly across the board, even in flood-prone neighborhoods like Shore Acres in St. Petersburg.

On average, property values are expected to be up 11 percent countywide, said Pinellas County Property Appraiser Pam Dubov, who is prepping notices of proposed taxes to send out in August in advance of the November tax bills. In at least one beachfront neighborhood, in the East Lake area, and in one Midtown neighborhood, property values jumped more than 30 percent. Only in a couple of neighborhoods are values down, and then by less than 3 percent.

One reason for the higher values: Even though home sales plummeted in some areas during the flood insurance crisis at the end of the year, there was never a corresponding drop in asking prices before the market rebounded.

Shore Acres is typical of what happened. It started out 2013 strong. But sales came to a virtual standstill late last year amid worries that older homes would lose their decades-long lower flood insurance rates when they changed hands. Anecdotal reports surfaced of buyers of such homes seeing flood rates explode tenfold. Out of 46 sales in Shore Acres last year, only two occurred in the fourth quarter.

Hit by a groundswell of complaints, Congress intervened in March, passing a measure that repealed the biggest of the rate hikes being rolled out under the Biggert-Waters Flood Insurance Reform Act of 2012. At the same time, Lloyd's of London and other private insurers pushed into the market, driving flood insurance rates lower.

The housing market responded with gusto. In the first half of this year, Shore Acres already has had 26 sales with an uptick in prices.

The result: Home market values in Shore Acres for tax purposes are running 16 percent higher than the previous year.

"Their sales certainly dropped off, but then they bounced right back up," Dubov said.

Home values are based in large part on sales prices. In Pinellas, the median sales price in 2013 was \$153,000, up from \$134,900 in 2012; in Shore Acres, the median sales price was \$283,500, up from \$236,725 a year earlier.

Other area counties saw a similar price jump: Median sales prices in Hillsborough County were \$175,000 last year (up from \$148,000 in 2012) while Pasco sales prices were \$133,000 (up from \$115,000).

So, what will Dubov tell perplexed homeowners who saw their neighbors laboring to sell their homes last year?

"I do expect to hear from some people, knowing you can't please everyone," she said. "I also expect some people will be very relieved that their property values didn't go the other direction, putting them back underwater (owing more than their home is worth)."

Under the Save Our Homes cap, no matter how large of an increase in market value, the tax bill for a homesteaded resident will not go up more than 3 percent a year. The cap is even lower if there is a smaller rise in the Consumer Price Index.

Dubov's office is supposed to calculate the market value of homes as of the end of 2013, based on sales volume and sales prices, taking out sales costs and Realtor fees. However, Dubov took into account a broad pickup in early 2014 as assurance that a late drop in 2013 in the number of sales was "a temporary blip" and not part of a trend. "I'm not going to gut the market on prices that never fell," she said.

The story could easily have been radically different if Biggert-Waters had not been partially repealed.

"It had great potential to do harm. It stopped the market for a while," Dubov said. "And now, it appears to not really be having a big effect.

Jake Holehouse, a local insurance agent and activist fighting the rate increases under Biggert-Waters, said the marketplace has not only returned to stability but is heating up toward 2006 levels in some places — like high-end condos in downtown St. Petersburg.

The "biggest thing that never happened," Holehouse said, was Congress' decision to keep a flood map "grandfathering" provision in place for older homes. That means as long as a house remains in compliance and has a construction date of 1971 or newer, its flood map will remain unchanged for the lifetime of the property.

"That's the biggest driver of confidence" among buyers, he said, who would otherwise have to worry about such a home getting rezoned under a new map, triggering much higher rates.

The emergence of private flood insurance options — from Lloyd's of London to Florida insurers like Homeowners Choice and Security First — has greatly helped to stabilize the market, Holehouse said.

Over time, flood rates are expected to continue rising and some insurance agents fear Lloyd's and others will dramatically raise rates after establishing a presence in the flood market.

Gordon Chernecky of Shield Insurance of Tampa Bay, a longtime agent for homeowners and flood policies, is worried any euphoria over surviving the flood insurance mess will be short-lived.

Too many of the sales in flood zones are from cash buyers who don't buy flood insurance, Chernecky said. Moreover, he said, the delay in sharper flood rates is only temporary. His bet: Congress will let FEMA hike rates dramatically over time and private insurers, like Lloyd's of London, will drop the lure of relatively cheaper

insurance.

"Lloyd's has been this angel from heaven, but they've come and gone before," he said. "This is a big problem coming down the road. People are still really oblivious to what's going on."

For now, though, Dubov gives kudos to Capitol Hill for stepping up.

"We'll never know what the impact would have been if Congress had decided not to act," she said.

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