



Insurance an obstacle in N.O.

Developer: High cost slows work

**By CHAD CALDER AND TED GRIGGS**

Advocate business writers

Published: Jul 14, 2006

A local real estate developer says difficulty finding affordable insurance is jeopardizing his plans to redevelop apartments on the West Bank of New Orleans.

Howard Gylar of B-G&G Investors LLC said he will still go through with planned purchases of the 82-unit River Chase Apartments in Terrytown, the 60-unit Cedar Crest Complex next door, 276 units in Algiers and 380 units in Harvey, but said Zurich Insurance pulled the plug on plans to provide builder's insurance for \$37,000 on River Chase, saying it won't write policies on renovations, only new construction

The quote he got from Lloyd's of London this morning was for \$250,000, which he said would amount to 24 percent of his profit on the project.

The initial purchase was to be \$30 million of a \$200 million investment, which Gylar says is now in jeopardy because of the insurance issue.

"If we're going to rebuild New Orleans, then we're going to have to get insurance," he said.

"People have said, 'Where's the private sector?' Here I am. Now get me insurance so I can go to work."

Gylar said he wasn't given a good answer for why Zurich won't write policies for new construction.

Zurich officials could not be reached for comment late Thursday.

The industry is treating the entire metro area as if it were the 9th Ward, which has come to be synonymous with Katrina's destruction, Gylar said. The industry doesn't seem to care there was no flooding on the West Bank and Algiers was the first to have its power restored and has more schools up and running, he said.

Loretta Worters, spokeswoman for Insurance Information Institute, said there are a number of issues affecting the price and availability of commercial property insurance in the New Orleans area.

“The crime rate is really high. It puts a lot of pressure on insurers. Builders risk — people keep stealing all the supplies,” Worters said.

In addition, vacant properties are at higher risk for fire, vandalism and looting, she said. Insurers have to take all those factors, and the threat of hurricanes, into account when writing policies.

The situation is frustrating for property owners and insurance companies, she said.

Gylar said his plans to strip wind- and hail-damaged apartments down to bricks and studs will allow him to charge rents a third less than he could for new construction.

Gylar said he plans to take a novel approach to filling up the apartments by teaming up with the employers who are trying to put people to work in the city. A lack of adequate housing is often cited by employers as the chief obstacle in putting people to work rebuilding the city.

Gylar said he’s been planning the privately funded project for months, and has Regions Bank lined up for financing. His projects to date have been renovations behind the Bon Carré Business Center off Florida Boulevard, which he pointed out are also 100 percent privately financed.

Gylar said he’s getting frustrated with political rhetoric from the Governor’s Office that he says is not matched with needed reforms.

“Saying ‘We want to rebuild’ without any succinct, concrete plans for any of the major issues does not work anymore,” he said.

“The bottom line is that without insurance we can’t rebuild the city,” he said.

The Governor’s Office could not be reached for comment.

Clarissa Preston, deputy commissioner of the Office of Property and Casualty Insurance, said property owners can find commercial coverage, but it can cost two to three times what it did pre-Katrina.

Only a few companies are selling coverage at any time, and once the companies reach their risk capacity, they stop writing policies, Preston said. This makes for a volatile market, as the companies selling coverage can change from day to day or even hour to hour.

Gylar, however, doesn’t buy it.

“My response to the insurance commissioner is, ‘Do your job,’ ” he said. “You assumed a position of leadership, and that means that you lead. If the solution is (not available), you find it.”

Gylar said insurance that costs too much for anyone to use can't be seriously cited by anyone as an option.

As for whether the hurricane damage should give insurers pause, Gylar said the apartments are only hail- and wind-damaged, and with aluminum wiring they'd have to be stripped down anyway. He pointed out that stripping apartments down to the frames is how he's done all his renovation projects.

"You might say our skill set fits perfectly with what needs to be done," he said.

*Story originally published in The Advocate*