

The folly of paying Americans to live in harm's way | Guest editorial

By The Chicago Tribune Editorial Board

In the aftermath of [Hurricane Harvey](#)'s hit on Texas, and with [Hurricane Irma](#)'s violent trek across Florida, let's all acknowledge one reason for the vulnerability of Americans who live in low-lying coastal regions of the Sunbelt: The federal government has been paying people to locate there.

Not explicitly, of course. But an abundance of inexpensive housing is a big attraction. And a big factor in the low cost of housing in the Houston area is that developers are free to build almost anywhere, including marshy, low-lying areas where land is cheap.

The chance of being swamped deters some people, but the government offers flood insurance to pay for repairing and rebuilding. The owners of a Houston home that flooded 16 times in 18 years got more than \$800,000 in payments — for a house worth just \$115,000.

The folly of the government's flood insurance program has been evident for decades, and some Midwestern communities have been in on the action. We've written about how federal flood insurance has serially benefited many of those who refuse to move from river floodplains, sometimes to a fault. After the Mississippi River flood of 1993, one Grafton, Ill., resident explained to a reporter that he had collected \$24,000 in federal insurance for damage to his small house from floods in 1979, 1982, 1986 and 1992. For '93, he expected another \$32,000. His total insurance premiums since buying the house in 1975: \$6,000.

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Houston, according to a new study by the National Wildlife Federation, accounts for more than half of all the properties that are flooded and paid for over and over. It has “managed to host three ‘500-year floods’ in the past three years,” notes Michael Grunwald in Politico. Each one costs taxpayers large sums. Yet development in these precarious spots continues apace.

“Why are we writing flood insurance (policies) for new construction in flood zones?” asks [Craig Fugate](#), who headed the Federal Emergency Management Agency in the Obama administration. “Think about it: If you're going to build a new structure in the flood zone, the private sector can insure it. And if they can't insure it, then why is the public subsidizing the risk?”

It's a big subsidy. Thanks to past storms, the flood insurance program has a \$25 billion deficit. The [Congressional Budget Office](#) found that coastal counties at risk from tropical storms make up just 10 percent of all the counties with federal flood insurance policies — but generate 75 percent of the claims and most of the deficit.

So why is the public subsidizing the risk in these places? Because the people living there, the politicians they elect, the businesses they patronize and various interest groups (such as home builders and the real estate industry) have strong stakes in preserving this program. They've been able to prevent the sort of reforms needed to make it actuarially sounder and closer to self-sustaining.

In 2012, Congress passed a modest package of sensible changes that would have raised costs to the flood-prone. But two years later, feeling the political heat, lawmakers backtracked.

Homeowners located in areas that are expected to flood every 100 years are required to buy flood insurance if they want federal insured mortgages. But they pay rates far lower than the risks warrant.

That gap deprives builders of incentives to stay out of low-lying areas that are vulnerable to flooding — or to elevate structures to keep them dry when the waters rise. It also promotes the destruction of wetlands that could reduce flooding. Oh, and it helps to tilt migration toward vulnerable coastal regions like those of Texas and Florida.

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