

Insurance delays sale of 794 apartments

by Greg LaRose Associate Editor – July 13, 2006

TERRYTOWN — The sale of the 82 units at Riverchase Apartments was scheduled to close Friday but the prospective buyers say the purchase is on hold because they cannot obtain insurance.

B-G&G Investors, a Baton Rouge-based real estate investment company, will postpone the acquisition of more than 794 vacant West Bank apartment units because it cannot find coverage for the properties.

"Anywhere else in America finding a new insurance company would have been a telephone call and would not have interfered with closing," said Howard Gyler, B-G&G managing partner. "However, we have discovered that in the New Orleans market this is not the case. No one will write new insurance."

Gyler is calling upon Gov. Kathleen Babineaux Blanco and other state and federal officials to remedy the situation. He said B-G&G is not seeking property tax breaks or other incentives.

"I've spent hours on the phone with the Louisiana Department of Insurance, Department of Environmental Development, governor's office, lieutenant governor's office and federal senators and representatives, and there is just not a plan," said Gyler. "In fact, some of them weren't even aware that insurance was an issue."

Gyler said the last resort pool coverage the Department of Insurance offers doesn't have the scale needed to insure his project and is intended largely for individual residential property owners.

Rule 23, the LDI mandate issued after the hurricanes to prevent insurers from dropping property coverage, expires Dec. 31. Although Insurance Commissioner Jim Donelon has discussed extending the order, Gyler said other businesses face the same crisis as B-G&G if a long-term solution isn't offered.

The company is "still working vigorously" to acquire the properties and is exploring coverage through London-based insurers. Gyler did not disclose a purchase price for the Riverchase units but said B-G&G is paying an average of \$15,163 per unit. A total of \$4.6 million is being spent on "finishing" the Riverchase properties, he said.

The 794 West Bank units were to be the kickoff purchase for a \$200-million investment pool to provide housing in the New Orleans area. Gyler said he plans to speak with officials with Oakwood Mall and downtown New Orleans businesses to provide housing for their employees as they restaff following Hurricane Katrina. •

