

Expanding floodplain and rising tide, not floating all boats

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It's been a little over one year since Hurricane Sandy came through the New York/New Jersey area, laying ruin with a force that was never imagined by the most dire forecasters. Years prior to that, the Federal Emergency Management Agency (FEMA) had been laying the groundwork for more aggressive floodplain regulations and mapping throughout the United States, with strong support from Congress which enacted new legislation in 2012.

In just a few months prior to Sandy, there had been 10 other major disasters declared across the country caused by severe storms, tornadoes, and flooding. As if FEMA did not have enough motivation with Sandy, three months of these other storms caused FEMA to believe it was on the right track. One year later from all of this, FEMA continues to make its own waves felt in remapping coastal communities.

Let me give you a few anecdotes about this seriously changing tide in the works.

A friend in Connecticut can't sell his coastal view home, as the memory of Sandy is forever burnished by the image of high water never before seen in that area. "Waterfront" home is the new anathema to sales.

On a recent consulting job in Florida, I met with real estate brokers who, a few years ago, never mentioned the word floodplain. They now were facile with terms such as VE zone, AE zone, and elevations of each house for sale.

Those Florida brokers also made it clear that finding insurance for water oriented properties was difficult at best, and hurting sales.

Back up north, homeowners in coastal Massachusetts were telling me they are self-insuring their properties because insurance companies, if you can convince them, are quoting policies from \$50,000 to \$100,000 per year. No, these are not typo's.

So, you say these are only anecdotes - not at all. They are supported by facts that speak to incredible changes in the insuring and regulating of water-oriented properties. The facts are that insuring these properties is getting very difficult, and won't get easier. The relevant Federal, State and local agencies, and their respondent insurance companies, are changing the rules. The main change is that the so called velocity zones (VE zone) are being extended further inland, and at higher elevations; the more "normal" flood zones (AE zone) are thus moving more inland. The insurance companies and lenders are trying to keep out of the zones altogether, and/or at a minimum insisting that homes conform to the new regulations.

Conformance is fine if you are building a new structure. But with regulations changing quickly, conformance is out of date every few years. New houses which were fully compliant two years, that is, out of the floodplain or above the flood level, are now well within both. In some cases, houses in compliance then, are as much as three feet lower than "elevation" compliance now. Mortgage loans on such properties are much more difficult to get, and banks are taking into account that the FEMA

insurance subsidies are limited to a maximum of \$250,000. You can imagine, in a worst case scenario, that a "typical" one million dollar construction or more of a waterfront home, limited to \$250,000 of insurance proceeds, will not be the benefactor of a very large loan. As noted, other insurance is available, but in the five to six figures annual cost range.

I see pop-up FEMA classes on my computer on a regular basis. There is a clear effort to get the word out, and those real estate professionals who profess ignorance of this evolving law will find trouble down the road. The ramifications are not quite yet limitless, but getting there. Floodplain mapping can make once available properties unbuildable; sewage systems cannot be placed in floodplains; wetlands patterns will change, extending those regulations into places not previously impacted; building codes will change; "stilt houses" will change the landscape, and on and on. To put a twist on a well-worn phrase, this rising tide will not float all boats. The end result may be good for most, but the process will sink some along the way.

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