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Impact of the new FEMA maps on values in Connecticut

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Over a year and a half after Hurricane Sandy hit coastal Connecticut, many municipalities are adopting new FEMA flood maps. These flood maps predict higher waves and larger storm surges than the previous versions. The new regulations and maps are the result of the 2012 Biggert-Waters Flood Insurance Reform Act, which made changes to the FEMA flood insurance program, resulting in higher rates to reflect the true costs of the flood risks. The new maps add as much as five to seven feet to the coastal area base flood elevation (BFE), also changing many AE designations to VE along the shore. All "V" zones are susceptible to major waves and storm-induced velocity wave action, while the AE zones are not impacted by the velocity wave action. These designations have an impact on building construction, in some cases requiring home elevation and the use of water resistant building materials to conform to the new regulations.

Homeowners that choose not to conform to the new regulations could face premiums that increase tremendously over the next four years. For example, an existing modest home that is four feet below the BFE will have a premium of \$9,500 per year, while the premium for the same home at BFE, would be \$1,400 per year. If the home is raised to an elevation of three feet above the BFE, the premium could drop to only \$425 per year. The savings by raising the home over a 10 year period could be close to \$90,000, however; the cost to cure could run deep into the six figures. What is more alarming is if your home has suffered from storm damage and/or you decide to renovate. If the cost is greater than 50% of the depreciated value of the improvements, local building codes will require that you conform to the stricter flood elevations. The new elevations will now require the dwelling to be lifted or reconstructed at the new BFE, using flood resistant materials and having breakaway wall materials. With many of Connecticut towns historically allocating the majority of the assessment in the land for shoreline property, we are left with the dwelling representing only a small portion of the assessed market value.

Property owners should be concerned more than ever that the market value that the town assessor has allocated to the dwelling portion of their tax assessment is correct. It is the basis that the building department uses when issuing a permit for construction in a flood regulated area. The basic rule is "if the cost of improvements or the cost to repair the damage exceeds 50% of the market value of the building, it must be brought up to current floodplain management standards." For example, if a proposed improvement project will cost \$100,000, and the dwelling's assessment value is \$180,000 ($\$100,000/\$180,000=56\%$), the project exceeds the 50% threshold and is considered a substantial improvement requiring conformance with the new floodplain guidelines. Construction projects affected are remodeling, rehabilitation, additions, and repairs and reconstruction to structures. If building permits are not required for items such as re-roofing, or for projects under a certain dollar amount, they are not subject to the substantial improvement calculation requirements. Project costs include all material, labor, built in appliances, overhead, and

profit. It is suggested if a homeowner is concerned with regards to these actual building costs, a licensed professional should be employed. When considering the market value of the structure, make sure not to include land, landscaping or any detached accessory buildings in the overall building value. An independent certified real estate appraiser can be hired to provide an opinion of the market value of the structure, to dispute the Assessor's calculation.

As a consequence of all the factors that impact properties in flood zones, including new increased BFE elevations, changes of the AE and VE zone delineation, and increased flood insurance premiums, property owners are finding potential barriers to sell or rehabilitate older homes in flood prone areas. The cost to bring these homes into conformity may outweigh the overall value of the structure, resulting in an immediate loss in value to many homes. Assessors and appraisers should now be considering adjustments for land to reflect the difference in BFE elevations from one property to another.

Another adjustment that should be considered for improved properties reflects functional obsolescence to the improvements created by the new map changes. For example, a home at an elevation of eight feet, which was previously located in the AE-8 zone, is now in the VE-15 zone. The property is no longer at BFE and must be elevated to be brought into conformance with current regulations. The new elevation requirements create functional obsolescence for improvements constructed below the BFE. This deficiency is recognized by buyers in the market, supported by increased flood insurance rates, and the possibility that renovations could require additional expenses to bring the building's elevation into conformity. Many of the older or storm damaged properties may not be feasible to cure, forcing the improvements to be demolished. If there is a question of the feasibility to bring the property into conformity, a certified appraiser can be hired to calculate the extent of the obsolescence and/or the cost to cure it.

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