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The rising cost of a rising tide: Insuring coastal sites

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Summer has finally (sort of) arrived and my thoughts wander to sandy beaches, expansive marshes, and of course, real estate. Those beautiful waterfront homes, looking out over calm sparkling waters of coastal Mass., are some of the best summer watering holes in the world. But I also know that this tranquil setting can be a little unruly at times, as the prevailing southwest breeze kicks up to 20 to 30 knots during the summer, and ultimately during the fall, when the real problems can arise... with hurricane season.

Forces are at work to deal with big storms. Starting about 20 years ago, flood insurance became subsidized by the newly created Federal Emergency Management Agency (FEMA) to help people rebuild who were impacted by coastal flooding. Subsequently, coastal flood maps were drawn showing the 100 year floodplain and the high impact velocity zones (V zone), where wave damage could occur. Based upon historical hurricanes, the height of the 100 year flood was determined to be as high as 18 to 20 feet above mean sea level in many Mass. towns.

After the FEMA, local flood regulations ensued, with some towns altogether prohibiting rebuilding in V zones, whether or not an owner could get insurance. Floodplain regulations have continued to tighten over the years, making it more difficult to build and/or repair in these zones. As an example, if more than 50% of structure is being repaired, the entire structure must conform to current flood plain standards. In the 18 to 20 foot hundred year flood plain, this typically means rebuilding the house, often on stilts well above that level.

All of this is about to change, but not for the better. Consider the worry caused by global warming. It's hard to believe that there is still an argument over this, and most people agree with the scientists who predict varying high degrees of water level and bigger storms over the next several decades. But, while the debate goes on, the insurance companies are not standing still. Nor is the Federal Government. FEMA is in the process of updating the flood plain and velocity zone maps. These will be generated over the next year, with towns probably adopting them formally next fall. It all depends on landform and topography, but many areas that were merely floodplain will now be changed to V zone, dramatically changing what can be built there. Building inspectors have indicated that the entire houses, any part of which is in the V zone, will have to be brought several feet above current V zone elevations, rather than just the part that is actually in the zone, which is currently the practice. In the case where the floodplain is, say, currently 16 feet, the V zone may increase the vertical dimension to as much as 19 or 20 feet high for a habitable first floor.

Not only will these changes cause a shocking house design in many communities, they can also render properties significantly less valuable. In some cases, where people are able to afford waterfront properties, they will not accept happily the idea of walking 20 feet up to bring their

groceries from the car. Nor do they like being on display, perched high in the air, surrounded by historic captain houses, or old large New England estates. Worse, based upon some local regulations, V zones may regulate against building altogether, thereby rendering a property valueless.

Insurance companies are also well aware of these issues. While FEMA insurance is still available up to \$250,000 coverage, any more is difficult to come by. Insurance companies are recalculating their risk analyses, and their potential liabilities. Premiums are going up. We have been lucky enough in Mass. to be untouched by hurricanes since Hurricane Bob in 1991, almost 20 years ago. Florida, on the other hand, had 4 hurricanes hit almost the same areas within a brief span in the Summer/Fall of 2004. On the basis of those hurricanes, three large insurance companies went bankrupt, a few left the state, and a few others chose not to write any new policies.

So, next time you are evaluating coastal property, or planning the site design for a client, or even considering a purchase, remember that what you get may not be what you see.

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