Substantial Damage = Substantial Crisis

ASFPM Annual Conference

Grand Rapids, MI
The cycle of life

- Status quo
- Major event happens
- Widespread panic ensues
- Cooler heads prevail
- We make things a little better
- Status quo
Riding the Rain Train
Increased Frequency of Extreme Storms Highlights Drainage and Floodplain Management Needs

MSD Rain Gauge Network Rain Counts
Annual Number Day/Year with Precipitation >= 3.0" and >= 5.0"
for Period 5/16/2006 to 5/16/2016
2013 ~ 6.5 inches in 24 Hours

2015 ~ 8.25 inches in 24 Hours
March 2015 Ohio River Flooding
April 2015 Flooding
“What do you mean, I can’t get a permit?!”
Local Floodplain Ordinance – Substantial Improvement/Damage

- Buildings can be improved or repaired up to 50% of the value of the building over a 10-year rolling period
- Repairs must meet the current building code (elevation, flood vents, etc.)
Enforcement of the Ordinance

• Due to the Spring 2015 flooding and previous flooding in 2011/13, approximately 40 homes were declared substantially damaged

• Primary issues:
  – Lack of understanding of substantial damage rule
  – No formal disclosure of cumulative damage amounts

• Risk awareness was not the issue…this time
They Did Not Like That Answer

• Affected property owners started calling their council people and the media

• Metro Council started asking:
  – “What is this ordinance”
  – “Why do we have one?”
  – “Why are we tracking substantial damage over 10 years?”
  – “Is this our requirement or FEMA/State?”
  – “Can we abolish the ordinance?”

• Note: Metro Council had approved the higher standards in previous 2006 ordinance revision
Substantial Cause For Concern

- MSD was in process of CRS verification
- Class 4, submitting for Class 3
- Suspending the ordinance or granting variances would jeopardize Class rating and could be grounds for NFIP probation/suspension
Keep Calm and Plan On
Informed Decision Making

- Louisville’s mayor established a Flood Mitigation Workgroup
  - Metro Council (3)
  - City Staff (3)
  - MSD Staff/Board (4)
- Met weekly for 6 weeks to discuss issues and options
- Public was present, vocal and appreciative
- Workgroup developed short and long term recommendations
Subtle Change, Big Impacts

• In May, Metro Council temporarily amended the substantial damage definition to single event instead of a 10-year rolling period
  – 21 properties could receive permits to rebuild
  – 19 properties remained substantially damaged with the new definition
Unintended Consequences

• Some homeowners were no longer substantially damaged, therefore no longer eligible for ICC funding
• Local ordinance was temporarily inconsistent with state regulations
• Lost CRS credit for cumulative SD/SI
• 2 distinct groups of buyout issues
We Still Have a Problem

- Remaining 19 properties that were substantially damaged could not rebuild without elevating
- Homes were slab on grade and over 40 years old
- FEMA HMGP grants take several years to be approved
- Residents wanted to sell, but needed a place to live right away
Quick Buy Program
Quick Buy Program

- MSD and the Flood Mitigation Workgroup decided to create a “Quick Buy Program” (short term solution)
  - Program was locally funded by MSD ($1M)
  - Leveraged FEMA flood insurance claims & Increased Cost of Compliance (ICC) funds
  - Modeled after a similar program in Charlotte, NC
  - Program had to happen in real time not municipal time (residents were homeless or living in flood damaged homes)
  - Divided the homes into Priority A and B
Minimum Requirements for Priority A Homes

- Single event Substantially Damaged
- Must have flooded in Spring 2015 floods
- Must be a single family residential property
- Maximum $100,000 offer per home
- ICC monies must be assigned to MSD
- Properties were offered “damaged” value, i.e.

\[
PVA \text{ value (\$)} - \text{flood damages (\$)} = \text{Offer amount (\$)}
\]
Quick Buy Forms

Application for Voluntary Quick Buy Program

Date: ____________________________

Property Address: 600 Cahoon Way

Property Owner: Carly Glendridge

A. Property Owner Information

Property Owner’s Name: ____________________________

If applicable, check if the property is owned by (a): Trust ______ Partnership ______ Corporation ______ LLC ______

B. Damaged Property Address and Contact Information

Contact Person: ____________________________

Email: ____________________________

Property Address: ____________________________

C. Property Information

Type of Property: Owner-occupied Principal Residence ______

Other ______

OSRA ______

What was the approximate time of the loss? ____________________________

Hy, what type of insurance? Single Family Residence ______ Multi Family Residence ______

Other (pool, garage, etc.) ______

Current use of the property: ____________________________

Click to add leaser

MSD

Quick Buy Offer Calculation

Date: 03/30/15

Property Address: 600 Cahoon Way

Property Owner: Carly Glendridge

Building Value (without land): $27,690.00

Building Value Source: PVA

FEMA Insured: Yes ______ No ______

Building Value: $27,690.00

Full Cost of Repair/Replacement (Line 5 of Proof of Loss/Contract): $28,000.00

FEMA Insured: Yes ______ No ______

Actual Cash Value of Lost (Line 6 of Proof of Loss): $28,000.00

Flood Claim Payment for Contents Loss: $0.00

Actual Cash Value of Building Loss (Line 7 of Proof of Loss - Co): $28,000.00

Cleanup Costs: $0.00

Recommended Quick Buyout Offer: $28,000.00

Recommended By: Lodi Rayner, P.E., CFM

Development Engineer

Comments: Additional rapport to committee

Approvals:

David Johnson, P.E., Development Director

Date

Director of Engineering or Executive Director

Date

MSD

Safe, clean waterways
Quick Buy Application Process

Start → Pre-Application Submittal → Pre-Application Review

More Data Needed?

Notify Owner of Eligibility

Application Submittal → Application Review

More Data Needed?

Application Review

Funding Available?

Accept Offer?

Prepare & Submit Offer

Prepares for Closing

Vacate Property

End

End

NO

NO

NO

YES

YES

YES

NO / Negotiate

NO

YES

NO

End

End

End

End

End

End

End

End
Example of Offer

- $75,000 home ($60,000 building - $15,000 land)
- $35,000 in flood damages
- $34,000 in flood insurance claim ($1,000 deductible)

- Quick Buy Offer
  $75,000-$35,000 = $40,000

- Total to property owner
  $40,000 (from MSD) + $34,000 (insurance) = $74,000
Priority A Homes

- MSD budgeted $1,000,000
- 19 homes
  - 18 applied for the Quick Buy Program
  - 1 choose to elevate home using Increased Cost of Compliance funds (FEMA dollars)
Priority A Homes - Summary

• 18 Priority A homes Costs
  – Total PVA value of homes - $1,326,370
  – Total Offers - $708,000
  – Closing Costs - $36,000
  – Demolition - $24,000 (Properties w/insurance reimbursed with ICC funds)
  – Total Costs - $768,000

• Average Quick Buy Cost - $42,667
• Average PVA value - $73,687
Priority B Homes

- 21 homes that were considered substantially damaged using 10-year rolling period
- Properties could get permits under new ordinance
- Some properties wanted to be bought out, others wanted to rebuild
- MSD budgeted $500,000 additional funds to created the Priority B Quick Buy
- Requirements were same as Priority A
Priority B Homes - Summary

• 11 property owners applied
• 10 property owners accepted
  – Total PVA value of homes - $855,440
  – Total Offers - $632,574
  – Closing Costs - $20,000
  – Demolition - $60,000
  – Total Costs - $712,574

• Average Quick Buy Cost - $71,257
• Average PVA value - $85,544
Priority A & B Summary

- 28 homes to be purchased by MSD
  - $1.50 million budgeted
  - $1.48 million estimated costs
- Total PVA value of properties - $2.18 million
- 1 home elevated
- 11 homes made repairs (HMGP grants in process)
Long Term Property Use

- Property is deed restricted to remain open space
- Short-term land use:
  - Restoration after demolition
  - Mowed grass and trees
- Long term land use
  - Determined with help from stakeholders
  - Parkland (possible)
  - Flood Storage (possible)
  - Public/Private Partnership
Follow-up Actions

- Revisit Local Floodplain Ordinance
  - Formally adopted 1-year substantial damage
  - Clean up SD/SI language to be consistent with State
  - Added SD/SI notification language
  - Create workgroup to evaluate additional ordinance revisions
- Set aside funding for future Quick Buy efforts
Challenges

• Security of vacant/distressed property
• Working with local agencies to resolve existing fines and penalties associated with the properties
• Demolition delays
  – 30-45 days to obtain a permit
  – Lead and asbestos
• Lots of issues at closing
  – Liens
  – Probate court
  – Deed restrictions
Lessons Learned

- Make sure your Elected Officials are educated and informed
- Leverage available funding
  - FEMA flood insurance
  - ICC funding
- A “Quick” Buy still takes awhile to complete (but still faster than FEMA)
- Working relationship with other agencies (Get ahead of the game)
- Work with qualified legal and title professionals to help with purchases
- Prepare for the next event NOW!
- You can’t please everyone!
Questions?

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