City of Newport Beach

Balboa Island and FEMA/Flood Insurance Issues
Presented to City Council
April 9, 2013
History
National Flood Insurance Act of 1968
AND
Flood Disaster Protection Act Of 1973

Created the National Flood Insurance Program
History

- Flood Insurance Study - Orange County Effective: February 1989; Establishing the Special Flood Hazard Areas

- Floodplain Management Ordinance Adopted in 1993
Special Flood Hazard Areas
Issues
Balbo Island is entirely covered by the Special Flood Hazard Area.

Almost all the properties on Balbo Island are below the current Base Flood Elevation (BFE) of 9.0.

How does a property owner obtain affordable Flood Insurance.
National Flood Insurance Program (NFIP)
National Flood Insurance Program (NFIP)

- NFIP is voluntary and Newport Beach currently participates along with approx 550 other communities in California;

- NFIP provides federally backed affordable flood insurance to **ALL** participants;

- Over 1,600 residents are NFIP policy holders;

- Compliance with NFIP requires the CNB to reduce future flood risk through Ordinance.
Floodplain Management Ordinance - NBMC 15.50
Current Ordinance: Floodplain Management Chapter 15.50

The purpose of the ordinance is:

- To minimize losses (bodily and property) due to flood conditions.
- To minimize expenditure of public money.
- To minimize prolonged business interruptions

(Reviewed and Approved by FEMA in November 2009)
The Floodplain Management Ordinance includes:

1. Compliance Factors
2. Definitions - Substantial Improvement & Current Value
3. Procedures of Implementation
4. Variance and Appeal Rights
If the project is Determined to be a Substantial Improvement, Then the entire dwelling unit will need to be raised up to the Base Flood Elevation of 9.0
Determination of Substantial Improvement

\[
\text{Cost of Improvement ($)} > 50\% \times \text{Current Value($)}
\]

• Cost of Improvement = Cost of Proposed Work

• Current Value “Sticks and Bricks”*
  = Dwelling Size \times \text{Average Cost per Sq.Ft.}
  \text{(Depreciated Due to Age of Structure)}

*NOTE: The value of the land and site improvements and the value of business income are not included in Current Value calculation. Program only insures buildings not land.
Current Value: Average Construction Cost per Square Foot Multiplied by the Size of the Structure.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Construction Cost $ / sq.ft.</th>
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</thead>
<tbody>
<tr>
<td>March 2013:</td>
<td>$300 / sq.ft.</td>
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Depreciation

- New Depreciation Schedule established March 2013.
- Based on information provided by FEMA
- Example: 25 years old = 20% depreciation
  50 years old = 20%
Pro Forma Examples
Pro Forma Example
Substantial Improvement

OLD ANALYSIS
Value “Sticks and Bricks” = 2,000sqft x $160/sqft = $320,000
Depreciation of 50 years old = 60%
Adjusted Value = $320,000 – ($320,000 x .60) = $128,640
49.9% = $64,191 Maximum Improvement w/o qualifying as a Substantial Improvement

NEW ANALYSIS
Value “Sticks and Bricks” = 2,000sqft x $300/sqft = $600,000
Depreciation of 50 years old = 20%
Adjusted Value = $600,000 – ($600,000 x .20) = $480,000
49.9% = $239,520 Maximum Improvement w/o qualifying as a Substantial Improvement
# Pro Forma Examples

<table>
<thead>
<tr>
<th>Size (sq.ft.)</th>
<th>$160/sq.ft.</th>
<th>$300/sq.ft.</th>
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<tbody>
<tr>
<td>1,500</td>
<td>$48,000</td>
<td>$180,000</td>
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<tr>
<td>2,500</td>
<td>$80,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>3,500</td>
<td>$112,000</td>
<td>$420,000</td>
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<tr>
<td>4,500</td>
<td>$144,000</td>
<td>$540,000</td>
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Private Flood Insurance
Private Flood Insurance

- Arnold Mello from WNC First Insurance Inc.
Possible Next Steps

1. Perform a study of the Still Water Level. Approximate Cost: $50k; Time: 4-6 M

2. Perform additional tide/storm surge studies if the results of #1 above are questionable. Approximate Cost: $150k-$200k; Time: 6-8 M

3. Based on the studies, determine whether or not to continue to participate in the NFIP.
Questions?