

City of Newport Beach

Balboa Island and
FEMA/Flood Insurance Issues
Presented to
City Council
April 9, 2013



History

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

Issues

- Balboa Island is entirely covered by the Special Flood Hazard Area.
- Almost all the properties on Balboa 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)

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- 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

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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)

Floodplain Management Ordinance - NBMC 15.50

- The Floodplain Management Ordinance includes:
 1. Compliance Factors
 2. Definitions - Substantial Improvement & Current Value
 3. Procedures of Implementation
 4. Variance and Appeal Rights

Substantial Improvement

Determination of Substantial Improvement

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

$$\frac{\text{Cost of Improvement (\$)}}{\text{Current Value(\$)}} \geq 50\%$$

- Cost of Improvement = Cost of Proposed Work
- Current Value “Sticks and Bricks”*
= Dwelling Size X Average Cost per Sq.Ft.
(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

Current Value: Average Construction Cost per Square Foot Multiplied by the Size of the Structure.

Average Construction
Cost \$ / sq.ft.

Early 2011: \$160 / sq.ft.

March 2013: \$300 / sq.ft.

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

Size (sq.ft.)	\$160/sq.ft.	\$300/sq.ft.
1,500	\$48,000	\$180,000
2,500	\$80,000	\$300,000
3,500	\$112,000	\$420,000
4,500	\$144,000	\$540,000

Private Flood Insurance

Private Flood Insurance

- Arnold Mello from WNC First Insurance Inc.

Next Steps

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?