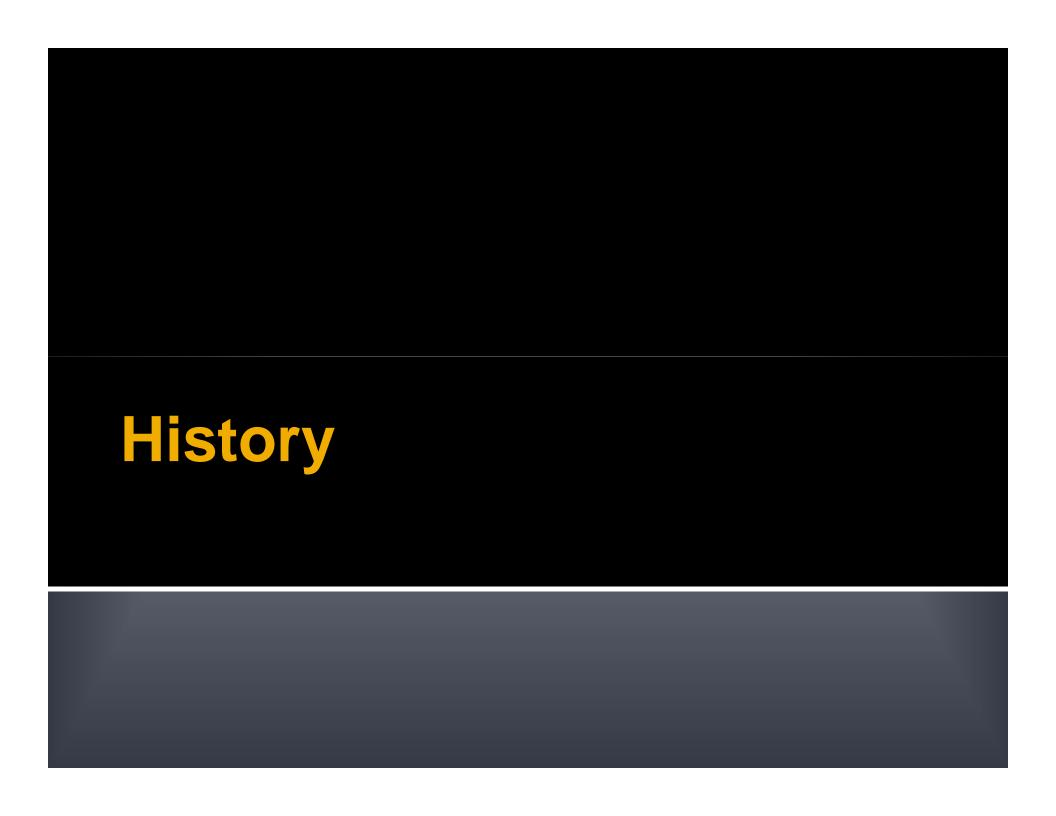
## City of Newport Beach

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





## <u>History</u>

National Flood Insurance Act of 1968 AND Flood Disaster Protection Act Of 1973

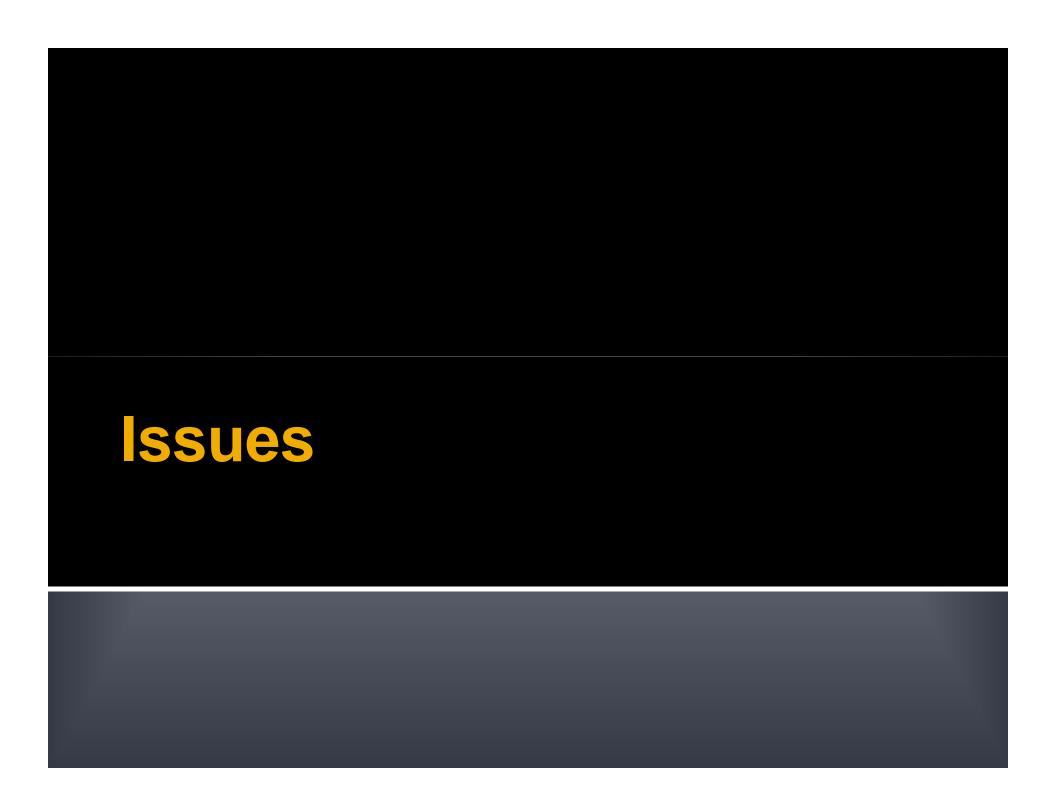
Created the National Flood Insurance Program

### <u> History</u>

- Flood Insurance Study Orange County Effective: February 1989; Establishing the <u>Special Flood</u> <u>Hazard Areas</u>
- Floodplain Management Ordinance Adopted in 1993

## **Special Flood Hazard Areas**





### <u>Issues</u>

- 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)

## 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 <u>ALL</u> 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

## 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)

## Floodplain Management Ordinance - NBMC 15.50

- The Floodplain Management Ordinance includes:
- Compliance Factors
- Definitions <u>Substantial Improvement</u> & 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

Cost of Improvement (\$) > 50%

Current Value(\$)

- •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 =  $\$320,000 - (\$320,000 \times .60) = \$128,640$ 

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

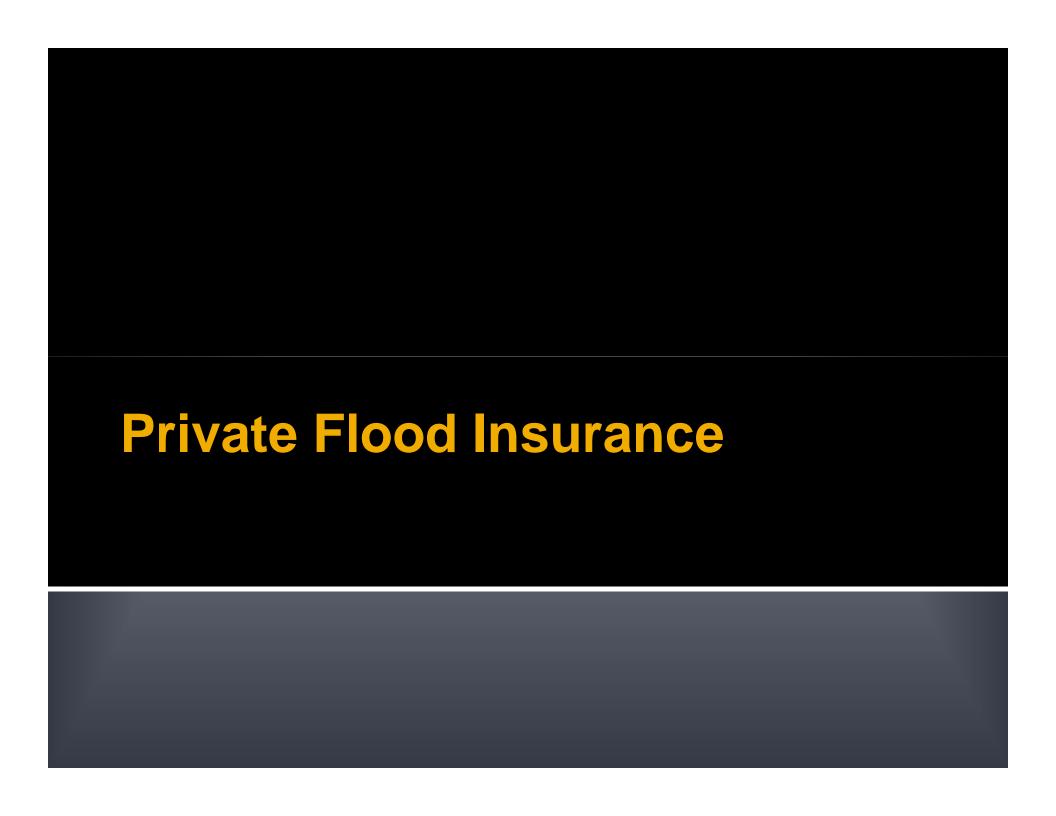
Depreciation of 50 years old = 20%

Adjusted Value =  $$600,000 - ($600,000 \times .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**

Arnold Mello from WNC First Insurance Inc.

# **Next Steps**

### Possible Next Steps

- Perform a study of the Still Water Level.
   Approximate Cost: \$50k; Time: 4-6 M
- Perform additional tide/storm surge studies if the results of #1 above are questionable.
   Approximate Cost: \$150k-\$200k; Time: 6-8 M
- Based on the studies, determine whether or not to continue to participate in the NFIP.

