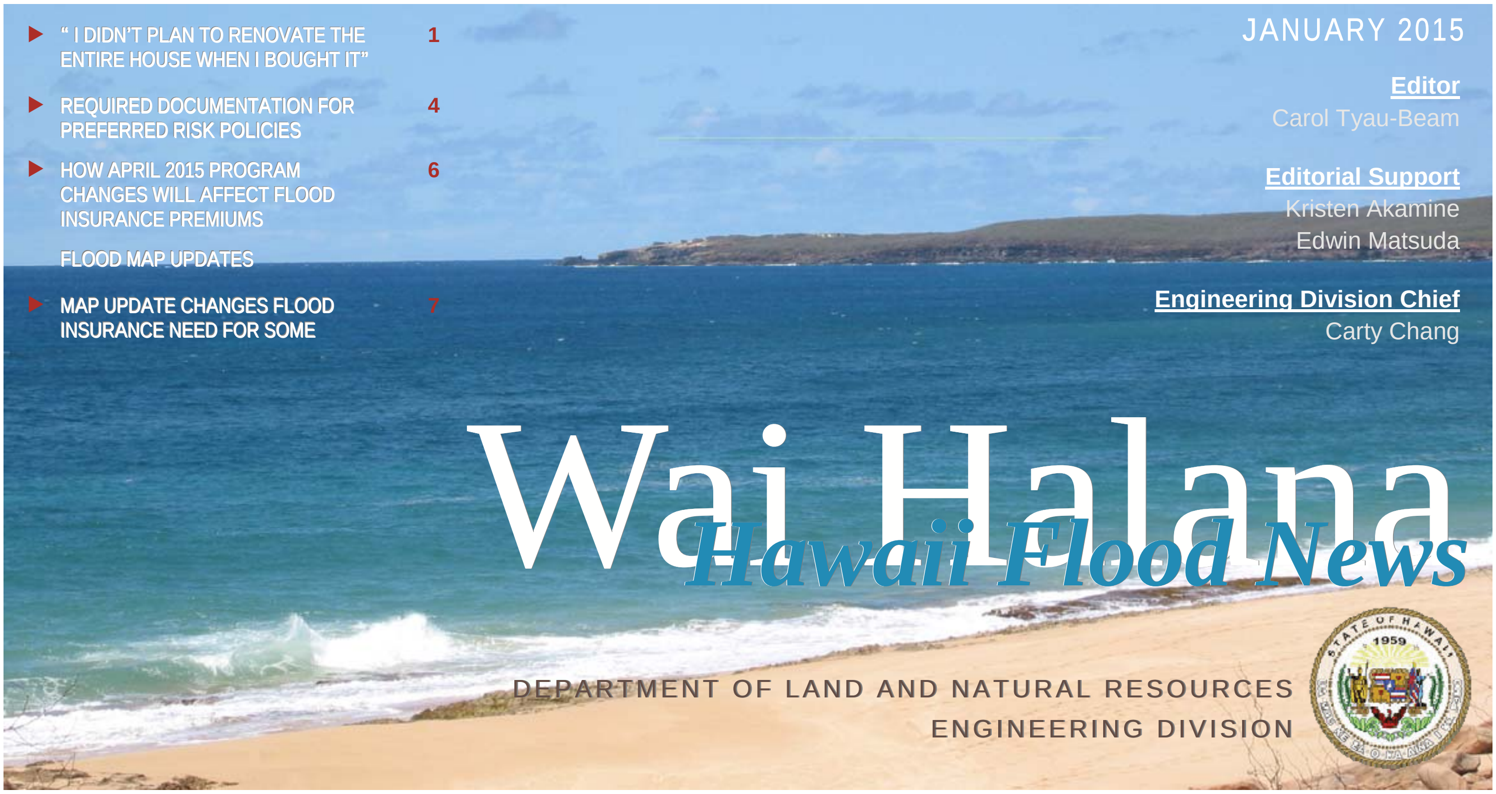

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Hawaii Flood News

DEPARTMENT OF LAND AND NATURAL RESOURCES
ENGINEERING DIVISION

"I Didn't Plan to Renovate the ENTIRE House When I Bought It"

There are many structures in Hawaii that were built before the early 80's which is before each of our 4 counties joined the National Flood Insurance Program (NFIP). These older structures that were built before local floodplain management regulations and Flood Insurance Rate Maps (FIRMs) were established are known as "Pre-FIRM" structures, and may not conform to present day flood regulations. Pre-FIRM structures are allowed to remain non-conforming to floodplain management regulations until such time the building undergoes repairs and/or improvements that exceed 50% of the market value of the existing structure prior to the improvements. If the improvement cost exceeds the 50% threshold, FEMA considers this a "Substantial Improvement", and requires that the entire structure (existing & proposed improvements) in a Special Flood Hazard Area (A and V zones) to comply with the current floodplain management regulations adopted by each County, irregardless of the requirement for flood insurance.

Federal regulations require that each improvement be evaluated individually. However, four of Hawaii's counties have elected to enforce more stringent requirements. Since May 2014, the City and County of Honolulu joined Hawaii, Kauai and Maui County in implementing a cumulative substantial improvement rule into their county floodplain management regulations. What this means is that building improvements will be tracked over a period of time (varies between each county) and when the cumulative cost of permitted improvements exceed 50% of the market value of the existing structure, then the entire building will have to be brought up to present day regulations. Because each county establishes their own methodology for determining "improvement cost", "market value" and defines their specific "tracking period", it's important to consult with the local county floodplain manager during the planning stages of a project.

County	Floodplain Manager	Phone Number	Tracking Period
Hawaii	Frank DeMarco	(808) 961-8042	3 years
Honolulu	Mario Siu-Li	(808) 768-8098	5 years
Kauai	Stanford Iwamoto	(808) 241-4896	10 years
Maui	Carolyn Cortez	(808) 270-7253	10 years

What may not be immediately apparent regarding this cumulative substantial improvement rule is when the property changes ownership. The new owners of these pre-FIRM structures may not have the ability to do their envisioned renovations without having to bring the entire existing structure up to present day flood code. The most common requirement would involve raising the finish floor elevation of the existing structure to the current Base Flood Elevations (BFE).

Continued on Page 2

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The current and selected past issues are also available at:
www.hawaiinfip.org

If you wish to receive the Wai Halana via email or wish to be removed from our mailing list, please contact Kristen Akamine at (808) 587-0281.

Upcoming Events

PRiMO 2015 Conference

The Rising Pacific:
Currents of Change and Solutions for Resilience

March 24 - 26, 2015
Hawaii Convention Center, Honolulu, Hawaii
http://collaborate.coast.noaa.gov/PRiMO/about/events

Continued from Page 1 "*I Didn't Plan to Renovate the ENTIRE House When I Bought It*"

A prospective buyer will make a decision to purchase a property on a number of factors. One factor may be the improvement cost to remodel or renovate the structure to meet their needs. With a cumulative substantial improvement rule in effect in the 4 Hawaii counties, a future property owner must be aware of how much prior improvements were already done to the structure and when the "substantial improvement" trigger will occur because the **50% improvement threshold does not reset upon a change in ownership**.

Let's look at an example:

In January 2015, Mr. Kealoha purchased a small 2 bedroom 1960's plantation style home in a VE zone in Lahaina, Maui. Although the non-conforming structure was advertised to have been recently remodeled, he has his own plans to add additional bedrooms, completely renovate the kitchen and bathrooms for his family of five.

Maui County's Real Property Tax office established a 2015 market value for the structure at $250,000. So Mr. Kealoha assumed that he could proceed with his renovation plans without having to bring the entire existing structure to present day flood code if he kept his improvement cost below $125,000 (50% of the 2015 Market Value).

However, Maui County has a 10 year cumulative substantial improvement rule. Mr. Kealoha didn't know this prior to purchasing the property. Consequently, when he applied for his building permit, he was informed by Maui County Planning Department that the $50,000 of improvements that occurred two years prior, initiated the County's cumulative substantial improvement tracking. At that time in 2013, the structure's market value was $225,000 and that first improvement had already depleted 22% of the 50% allowance. Mr. Kealoha was further informed by the County that his proposed improvements, estimated to cost $100,000, would be considered a substantial improvement since the cumulative improvement cost would exceed 50% of the 2013 market value ($225,000).

Continued on Page 3

Continued from Page 2 "*I Didn't Plan to Renovate the ENTIRE House When I Bought It*"

The substantial improvement determination requires Mr. Kealoha to elevate the entire existing 1960's plantation style structure above the current BFE identified on the effective FEMA FIRM. Because the structure is located in the VE flood zone, the lowest horizontal structural member must be elevated at or above the BFE.

The Project is Considered a SUBSTANTIAL IMPROVEMENT WHEN:

$$\frac{\text{Total Cumulative Improvement Cost}}{\text{Market Value* (Based at Time of 1st Improvement in Tracking Period)}} > 50\%$$

* Note: Consult with local county floodplain manager on the method of establishing market value as it may differ in other counties

County Permit Data:

	2013	2014	2015
Improvement Cost (IC)	$50,000		$100,000
Market Value (MV)	$225,000		$250,000
(Cumulative IC) / MV	22%		67%

$$\frac{\text{Previous Owner's Improvement in 2013 + Mr. Kealoha's Improvements}}{\text{Market Value in 2013}} = \frac{\text{50K + 100K}}{\text{225K}} = 67\%$$

67% > 50% therefore, SUBSTANTIAL IMPROVEMENT

If you are considering buying a pre-FIRM structure in a Special Flood Hazard Area (A or V zone) in communities with a cumulative substantial improvement rule, it's IMPORTANT to do your due diligence prior to purchasing your "dream home". Make sure to contact your local county floodplain manager and discuss the communities' substantial improvement rules and research the permit history of the property. It is also important to look at any proposed FIRM updates to see if the structure may be mapped into the Special Flood Hazard Area in the near future, as a change in flood risk could result in eventual building compliance and insurance requirements.

The following are a list of suggested questions that you may want to ask you local county floodplain manager:

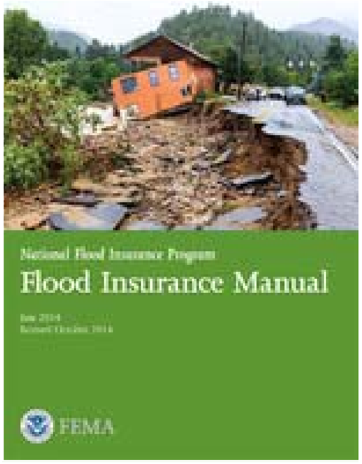
Q: Is this property subject to the Substantial Improvement Regulations?

If the answer is "YES", consider asking:

- Q: How is the improvement cost calculated?
- Q: What are acceptable methods of determining Market Value?
- Q: Does the Market Value used in the calculation change? If so, when?
- Q: Can you explain how the cumulative improvements will be tracked?

If the answer is "NO", consider asking:

- Q: How will the county handle improvements to Post-FIRM structures that were built in compliance with the map at the time of construction, but have been reclassified into a high or higher flood risk on a subsequent map update?
- Q: Are there any proposed map changes that are planned that may affect future building plans?



Required Documentation for Preferred Risk Policies

The Preferred Risk Policy (PRP) is a lower-cost Standard Flood Insurance Policy. It offers fixed combinations of building/contents coverage limits or contents-only coverage. The PRP is available for property located in B, C, and X Zones in Regular Program communities that meets eligibility requirements based on the property's flood loss history. It is also available for buildings that are eligible for the PRP Eligibility Extension.

To be eligible for coverage under the PRP, the building must be in a B, C, or X Zone on the effective date of the policy, except for those buildings that were newly mapped within a Special Flood Hazard Area (SFHA) due to a map revision effective on or after October 1, 2008. These policies remain eligible for a PRP through the PRP Eligibility Extension (PRPEE) if they meet the PRP loss history requirements. This does not apply to communities newly entering the Regular Program. The PRP Eligibility Extension also includes buildings previously in D Zones that have been newly mapped into an SFHA due to a map revision.

"The PRPEE also includes buildings previously in D Zones that have been newly mapped into an SFHA due to a map revision. "

For the purpose of determining the flood zone, the agent/producer may use the Flood Insurance Rate Map (FIRM) in effect at the time of application and presentment of premium, except when the building is eligible for the PRP under the PRP Eligibility Extension. The flood map available at the time of the renewal offer determines a building's continued eligibility for the PRP. National Flood Insurance Program (NFIP) grandfather rules do not apply to the PRP.

All PRP new business applications must include current documentation of eligibility. Such applications must be accompanied by one of the following:

- A Letter of Map Amendment (LOMA);
- A Letter of Map Revision (LOMR);
- A Letter of Determination Review (LODR);
- A letter indicating the property address and flood zone of the building, and signed and dated by a local community official;
- An Elevation Certificate indicating the exact location and flood zone of the building, signed and dated by a surveyor, an engineer, an architect, or a local community official;
- A flood zone determination certification that guarantees the accuracy of the information; or
- A copy of the most recent flood map marked to show the exact location and flood zone of the building is also acceptable, though additional documentation may be required if the building is close to the zone boundary.

If issuing coverage under the PRP Eligibility Extension, the historic flood map must also be submitted to document the prior flood zone.

Time is of the essence for property owners newly mapped into a high risk flood zone who receive a notice from their lender to obtain flood insurance. A property owner will have 45 days from notification to show proof of flood insurance to the lender before the lender will force place coverage. A low cost flood insurance option for property owners in this situation would be to purchase a PRPEE policy for just under $500 a year for maximum building and contents coverage. Discuss your insurance options and PRPEE eligibility requirements with your insurance agent. If a property owner is eligible for the PRPEE, then specific documentation will be required as listed in FEMA's Flood Insurance Manual (see list above).

Continued on Page 5

Continued from Page 4 “Required Documentation for Preferred Risk Policies”

Although there are several acceptable forms of documentation to choose from, some are more time consuming to obtain and/or involve a fee. However, there is a free and quick way to obtain item 7 on the list: “A copy of the most recent flood map marked to show the exact location and flood zone of the building”. A FIRMette is an official excerpt of FEMA’s Flood Insurance Rate Map and in most cases an acceptable form of documentation.

Insurance agents can easily create a FIRMette of the current EFFECTIVE flood map for the subject property online at FEMA’s Map Service Center (MSC). In communities where historic maps are available on the MSC, a HISTORIC flood map (which is required for PRPEE policies) can also be generated. For a step-by-step guide on how to create FIRMettes, visit: http://dlnreng.hawaii.gov/nfip/floodmaps/

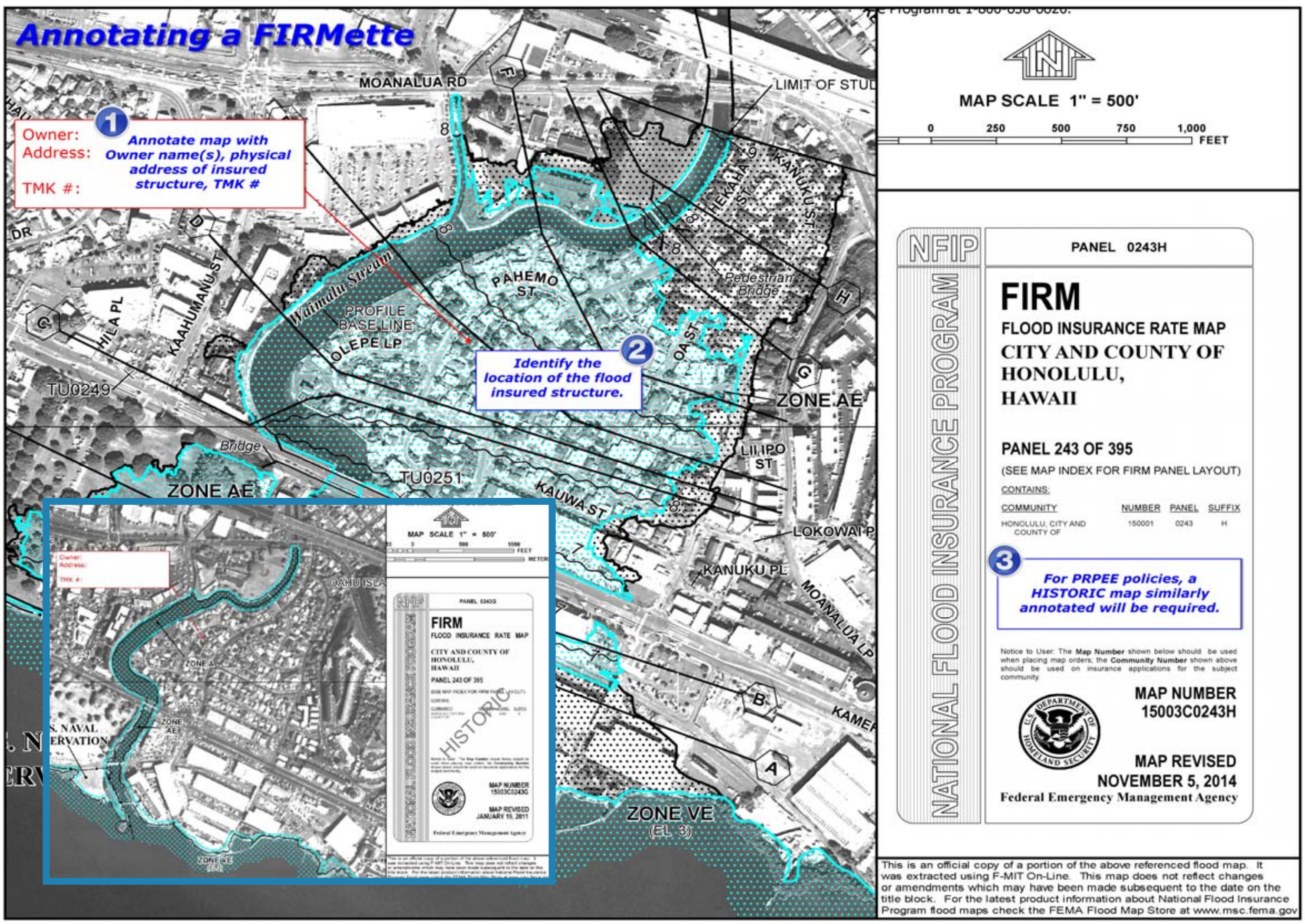
Once the FIRMettes are created, they’ll need to be annotated so that NFIP underwriters know exactly where the subject structure is located within the FIRM panel. There are several ways an image file can be edited with either software that is already included in your computer’s operating system or various (for purchase) software. Here are some examples of programs that can be used to annotate a FIRMette:

Included Software:

- Microsoft Windows PC: PAINT program
- MAC: PREVIEW app

For Purchase Software:

- Microsoft Office: Word, Publisher
- Adobe: Photoshop
- TechSmith: Snagit



The figure (above) illustrates the type of annotations that should be included on the maps. If a PRPEE policy is being written, a HISTORIC map with similar annotation will be required documentation.

FLOOD MAPS Updates

Are you currently doing work in the Counties listed here? If so, please take note that FEMA has approved the following Letter of Map Changes (LOMCs) to the flood hazard information shown on the effective Flood Insurance Rate Maps.

City and County of Honolulu
Type: LOMR-VZ
FIRM Panel 0110F
Revision Date: October 14, 2014
FEMA Case Number: 15-09-0050A
Flooding Source: Pacific Ocean
On-line readers can view LOMC **here**

Type: LOMR-OAS
FIRM Panel 0105H
Revision Date: October 29, 2014
FEMA Case Number: 14-09-0183A
Flooding Source: Kaukonahua Stream
Kii Kii Stream
On-line readers can view LOMC **here**

Type: LOMA
FIRM Panel 0369H
Revision Date: November 6, 2014
FEMA Case Number: 14-09-4243A
Flooding Source: Sheetflow
On-line readers can view LOMC **here**

KauaiCounty
Type: LOMA
FIRM Panel 0258F
Revision Date: October 9, 2014
FEMA Case Number: 14-09-4358A
Flooding Source: Ponding
On-line readers can view LOMC **here**

Type: LOMA-OAS
FIRM Panel 0211E
Revision Date: December 11, 2014
FEMA Case Number: 15-09-0110A
Flooding Source: Ponding
On-line readers can view LOMC **here**

Hawaii County
Type: LOMA
FIRM Panel 0870C
Revision Date: October 7, 2014
FEMA Case Number: 14-09-4304A
Flooding Source: Four Mile Creek
On-line readers can view LOMC **here**

Type: LOMA
FIRM Panel 0169C
Revision Date: October 14, 2014
FEMA Case Number: 15-09-0042A
Flooding Source: Lanimaumau Stream
On-line readers can view LOMC **here**

How April 2015 Program Changes Will Affect Flood Insurance Premiums

The National Flood Insurance Program (NFIP) is in the process of implementing Congressionally mandated reforms required by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) that repeal and modify the Biggert- Waters Flood Insurance Reform Act of 2012 (Biggert-Waters). The new law slows some flood insurance rate increases and offers relief to some policyholders who experienced steep flood insurance premium increases in 2013 and early 2014. Flood insurance rates and other charges will be revised for new or existing policies beginning on April 1, 2015. In addition to insurance rates, other changes resulting from Biggert-Waters and HFIAA will be implemented that will affect the total amount a policyholder pays for a flood insurance policy. Highlights of some of those changes follow. For full explanations and guidance, see WYO Bulletin (W-14053) and the Flood Insurance Manual.

The changes taking place in April include an increase in the Reserve Fund Assessment, the implementation of an annual surcharge on all new and renewed policies, an additional deductible option, an increase in the Federal Policy Fee, and rate increases for most policies. Key changes include:

- Implementing annual rate changes that set rates using rate-increase limitations set by HFIAA for individual premiums and rate classes:
    - ◊ Limiting increases for individual premiums to 18 percent of premium.
    - ◊ Limiting increases for average rate classes to 15 percent.
    - ◊ Mandatory increases for certain subsidized policyholders under Biggert-Waters and HFIAA.
- Increasing the Reserve Fund assessments required by Biggert-Waters.
- Implementing annual surcharges required by HFIAA.
- Guidance on substantially damaged and substantially improved structures, and additional rating guidance on buildings constructed before their communities' first Flood Insurance Rate Maps (FIRMs) became effective (known as pre-FIRM structures).
- Implementing a new procedure for properties newly mapped into the Special Flood Hazard Area (SFHA) and existing **Preferred Risk Policy Eligibility Extension** (PRPEE), a cost-saving flood insurance coverage option for property owners whose buildings were newly mapped into an SFHA. The premiums will be the same as the PRP, which offers low-cost flood insurance to owners and tenants of eligible residential and non-residential buildings located in moderate- to low-risk areas for the first year (calculated before fees and assessments) to comply with provisions of HFIAA.
- Reformulating expense loading on premiums, reducing the expense load on the highest-risk policies as an interim step while investigating expenses on policies as required by Biggert-Waters.

The changes will take effect on April 1, 2015.

Read the full FACT SHEET, visit: https://www.fema.gov/media-library/assets/documents/99601

AKAMAI MONEY

Excerpt from the December 12, 2014 Issue of the Star Advertiser's "Akamai Money" column. Interview by David Segal.
To read full interview, visit: http://www.staradvertiser.com/businesspremium/akamaimoneypremium/

Map Update Changes Flood Insurance Needs For Some (HONOLULU)

QUESTION: Why are some homeowners receiving letters now requesting that they need to purchase flood insurance when they never had to before?

ANSWER: Some property owners are receiving letters from their lenders notifying them that they are now required to carry flood insurance as a condition of their existing mortgage because of a recent FEMA Flood Insurance Rate Map (FIRM) change that took effect for the City and County of Honolulu on Nov. 5. Prior to this date, their property's flood zone designation was either a low-to-moderate risk (X or XS Zones) or an undetermined risk (D Zones), neither which have federal mandatory flood insurance purchase requirements. However, as a result of the Nov. 5 map update, their properties were remapped into a high-risk flood zone (A or V zone). Structures in a high-risk flood zone require mandatory flood insurance as a condition of any real estate loan through a federally regulated lending institution.

QUESTION: Is there anything a homeowner can do to dispute the flood insurance requirement?

ANSWER: The Flood Disaster Protection Act of 1973 mandated flood insurance coverage for all federal or federally related financial assistance for the acquisition and/or construction of buildings in high-risk flood zones. This is not negotiable. However, what may be challenged are the FIRM maps. If a property owner can demonstrate through technical documentation (i.e., a survey) that their structure was inadvertently included in the high-risk flood zone, they may apply to FEMA (Federal Emergency Management Agency) for a Letter of Map Change (LOMC). If approved, the LOMC would officially revise or amend the FEMA FIRM map and remove the structure or an affected area from the high-risk flood zone.

QUESTION: How much does flood insurance cost annually and, if it varies, what would a typical range be?
ANSWER: Flood insurance premiums vary depending upon a number of underwriting factors which include, but not limited to: the flood zone the structure is in, the age of structure, the type of construction, the elevation of the structure, and the amount of flood insurance coverage. Grandfathering is a cost-saving option that FEMA continues to offer property owners remapped into a high-risk flood zone for the first time or a higher-risk flood zone from a previous map. To learn more about this option, consult with your insurance agent.

As part of the provisions of the Homeowners Flood Insurance Affordability Act (HFIAA) of 2014, annual flood insurance premiums cannot increase more than 18 percent (with the exception of a limited category of policies that could experience up to a 25 percent annual increase).

Here's a sample of annual flood insurance premium estimates* based on the Oct. 1 rates. However, it should be noted that on April 1, FEMA will implement new rates pursuant to HFIAA 2014.

Preferred Risk Policies (PRP): Under $500/year (B, C, X zones)
Post-FIRM structures: $1,429 (AE Zone) – $9,215 (VE Zone)
Pre-FIRM structures: $2,193 (AE Zone) – $4,711 (VE Zone)

*Note: Estimates are based on the Oct. 1 FEMA flood insurance manual. Assumptions: $250,000 building coverage only (except for PRP), no basement or enclosures, single-family residence, lowest floor at 0 feet above the base flood elevation, replacement cost ratio .50 to .74 (VE zone Post-FIRM rates). Depending upon the underwriting criteria for each policy, the flood premiums could be less or more than these estimates given in the table.

QUESTION: Can a homeowner obtain an elevation certificate to avoid paying flood insurance or to reduce the insurance premium? If so, how much would obtaining an elevation certificate cost and would it be a waste of money since FEMA already has designated the area as a flood zone?

ANSWER: An Elevation Certificate (EC) is a useful tool to determine a property's true risk, as the EC will disclose various site elevations on the property and the elevation of the structure in comparison with the base flood elevation (BFE). The higher a structure is built above the BFE, the flood insurance premiums are reduced. If the lowest adjacent grade surrounding the structure is at or above the BFE, a property owner can apply for a FEMA Letter of Map

Continued on Page 8

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Make Hawaii a Great Place to Live !!

Continued from Page 7 “AKAMAI MONEY: Map Update Changes Flood Insurance Needs For Some (HONOLULU)”

Change to request to be removed from the high-risk flood zone. An approved LOMC would be a property owner’s best chance of having the flood insurance requirement removed by their lender. However, it is important to note that a lender has the option to require flood insurance regardless of the federal mandatory flood insurance requirements.

The cost for an EC can vary depending upon surveying company and the availability of benchmarks in the area. I’ve heard of cost ranging anywhere from $500 to $2,000. I suggest calling several local surveying companies for current quotes.

QUESTION: Is it worth spending money on a surveyor to get an Elevation Certificate?

ANSWER: As I mentioned earlier, an EC is valuable tool in assessing a property’s true risk from flooding. For some property owners, that assessment alone is worth spending the money. However, if a property owner is only interested in getting an EC for the purpose of trying to get removed from the mandatory flood insurance requirement or lowering their flood insurance premiums, then an EC should be pursued only after careful examination of their specific situation.

A property owner should understand that unfavorable survey elevations may not result in the desired outcome. In some instances, the full risk rate for a flood policy could be far more expensive than a subsidized policy or a Preferred Risk Policy Eligibility Extension (PRPEE) policy.

QUESTION: Can the lender force flood insurance on a homeowner and how much more expensive could it be than if the homeowner obtained his or her own flood insurance? Some insurance companies say it could be three times more expensive. Is that true?

ANSWER: Yes, lenders can and will force place flood insurance for a property owner. Lenders are mandated under the Flood Disaster Protection Act of 1973 to purchase coverage on behalf of the borrower, if the borrower fails to purchase flood insurance within 45 days after notification. Forced-placed flood insurance can be very expensive as lenders may not necessarily be purchasing a National Flood Insurance Policy.