

**IF REAL ESTATE IS YOUR PROFESSION,
THEN POLITICS IS YOUR BUSINESS**



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Charleston Trident Association of REALTORS®

The voice of Lowcountry real estate for more than 100



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LOCAL COMMERCIAL ISSUES

In the last year, here are some of the local commercial issues

CTAR has worked on:

- Mt. Pleasant Urban Corridor Plan
 - only one change affecting commercial real estate (on street parking); parking for multi-family will be 1.5 to 2 (currently 1 to 2; proposed was 2)
- Mt. Pleasant Economic Development
- Charleston County Historic Preservation Ordinance
- North Charleston Transfer of Development Right study
- Tree ordinances (North Charleston, Dorchester County, many more...)
- Goose Creek Buffer Ordinance retroactivity
- Dorchester County Fire Lockbox retroactivity
- Summerville Vision Plan
- Commercial Real Estate 'For Sale/Lease' Sign Ordinances
 - (Charleston County recently increased allowed sign size)



NAR GRANTS AVAILABLE FOR COMMERCIAL REAL ESTATE ISSUES

Town of Summerville Vision Plan

CTAR just gave Town of Summerville a \$15,000 NAR grant to help pay for their vision plan that they are undertaking. The plan will serve as a way to revitalize commercial areas, how to allow more use of underutilized properties and plan for the growth through needed transportation and other infrastructure needs.

Other examples from around the country:

Commercial Association of REALTORS® of Wisconsin

In 2012, CARW put a NAR Smart Growth Grant to work in providing research and input to Wisconsin's Economic Development Corporation. CARW's participation helped to develop a new strategic plan for economic growth, job creation, and related matters including transportation, land use, and the environment. Then, last year, CARW used a second Smart Growth Grant to work with the City of Milwaukee in creating a plan to rebuild or renovate an aging sports arena in the downtown area.

Hampton Roads Association of REALTORS®

HRRA helped to pay for the "Better Block Weekend" including arranging for six vacant houses within a five-block radius to have open houses and creating a pop-up REALTOR® office in an empty storefront. The support and involvement of REALTORS there helped to create the exciting vision. Over time, with continued effort, that vision will become a reality. This can be adopted to a commercial corridor in need of revitalization.

Possible uses include:

Cost of Commercial Construction/Operation Study

Transportation/Mobility Studies

Open to any idea related to programs that will help commercial real estate and needs in our area



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REALTORS® READY to RALLY?

10:00 am 4/8/14 at the Metropolitan Convention Center

Register at screaltors.org/rally



Transportation provided by CTAR for those interested – email Caitlin@CharlestonRealtors.com to reserve your spot today!

Coastal Insurance Reform

Patent Trolling Legislation

Further Eminent Domain Protection

PASSED – license fees to be cut in half



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WHY SUPPORT THE REALTORS® POLITICAL ACTION COMMITTEE



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NATIONAL FLOOD INSURANCE PROGRAM

And its impact on Commercial Real Estate



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What's happened?

July 2012 – Biggert Waters (BW) passes

May 2013 – FEMA announces BW will be retroactive

June 2013 – NAR starts working on fix to flood insurance bill; Greenville, SC REALTOR® Donna Smith heads up NAR PAG on flood insurance

October 2013 – Rate increases start taking effect for Pre-FIRM properties

January 2014 – Senate passes a 4 year delay

February 2014 – House passes BW overhaul bill; Senate follows suit

March 2014 – President signs BW overhaul bill



Timeline for implementation

NAR staff met with FEMA this week.

FEMA priorities are to implement two provisions first:

- Assume Subsidized Rates
- Refunds of those who have paid full actuarial value of subsidized rate

Those two provisions should be implemented in 3 to 6 months, but FEMA is working to try to make it sooner.

Entire law must be implemented in 8 months according to legislation.

FEMA admits to NAR this legislation doesn't do that much for commercial and is willing to look at other ways to help commercial bring down flood insurance costs.



Buying a Pre-FIRM commercial property

Sec. 205-Sale/New Policy Trigger

Original BW

Property moved to full risk rate when triggered by a property/new policy purchase – meaning at point of sale premium became full risk rate

New law

Repeals Sec. 205-Sale/New Policy Trigger (including the sale of second home or business)

Returns to allowing the new owner to assume the old policy at the current rate (i.e. policy stays with property, not owner)



Premium increases for Pre-FIRM commercial property

Biggert Waters and new law are the same.

GENERALLY IF Pre-FIRM and not at full risk rate...

**Second Home/Business: 25% increases yearly
until reach full risk
(same as current law)**

EXAMPLE

New purchase

A pre-FIRM subsidized commercial property sells – buyer gets to retain subsidized rate, but will be subject to 25% premium increase yearly until reaches full risk rate.

Existing owner

A pre-FIRM subsidized commercial property will receive a 25% premium increase yearly until reaches full risk rate.



Pre-FIRM property WILL lose their subsidy **IMMEDIATELY** if the property allows their policy to **LAPSE** (for any reason or any length of time) and the property is still covered by the mandatory purchase requirement.



Grandfathered Properties

Sec. 207-Remapping Trigger

Grandfathered: Post-firm properties that were built to compliance at the time it was built but flood zone has changed since.

Original BW

5 year phase out of grandfathered rates triggered by when new flood maps are adopted locally

Expected in coastal SC late 2014 to early 2015

New law

Repeals remapping and phase out trigger

Restores Grandfathered properties to how they were treated prior to BW



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Annual Premium Increases

GENERALLY IF Pre-FIRM ...

Commercial Property: 25% increases until reach full risk
(same as current law)

Example

Currently paying \$1,000 for flood insurance on a pre-FIRM commercial building.

\$3,000 is full risk rate.

1st year at renewal date will pay \$1,250

2nd year at renewal date will pay \$1,562

3rd year, 4th year, etc.....until paying \$3,000



Annual Premium Increases

Goes back to how average annual premium increases were calculated prior to Biggert Waters for all Post-FIRM properties and pre-FIRM at full risk rate.

Commercial Property:

Sets 18% ceiling per property; and 15% per flood zone (down from the 20% average per flood zone in BW; prior to BW cap was 10% per flood zone; no cap per property)



Policy Assessment

\$25 assessment on all NFIP primary homes; \$250 on the businesses and second homes in the NFIP

The funds will be deposited in the NFIP reserve account created by Biggert-Waters to build a cushion for future catastrophic losses.



Home Improvement Fairness

Biggert-Waters phased-out subsidies for pre-FIRM properties that were “substantially improved”. While historically the threshold to cross “substantially improved” was 50 percent of Fair Market Value (FMV), Biggert-Waters changed this to 30 percent FMV. The new law changes the threshold back to 50 percent FMV.

Reimbursement for Map Appeals

The new law allows FEMA to utilize the National Flood Insurance Fund to reimburse policyholders who successfully appeal a map determination. Biggert-Waters provided FEMA the authority to reimburse homeowners for successful appeals of map findings, but Congress has never appropriated funding for this purpose.

Flood Insurance Advocate

The law establishes a Flood Insurance Advocate within FEMA to answer current and prospective policyholder questions about the flood mapping process and flood insurance rates. The Flood Insurance Advocate will be responsible for assisting property owners through the map appeals process, and improve outreach and coordination with local officials, community leaders, and Congress.

Flood Mitigation Grants

Hard for individual commercial property owners to receive. Better chance if pool together to do it with neighboring commercial and residential property owners.



Takeaways on Flood Insurance

- **Be patient**

FEMA implements areas of this – won't happen over night; law provides 8 months – we expect 3 to 6 months for most implementation

- **Point of Sale trigger removed**

Pre-FIRM properties will be able to assume policy rate, but will get 25% yearly premium increases yearly until full risk rate

- **Grandfathering to stay**

Grandfathered properties will go back to how they were treated prior to BW

- **Mitigation still needed for some properties**

Will make sense on pre-FIRM properties to do flood mitigation; possible flood proofing or raising the elevation level.



More Information

www.CharlestonRealtors.com/FloodInsurance

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