

DEVELOPMENT
CONSULTING

Case Study

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THE CHALLENGE

A regional real estate developer was unable to close on a construction loan for a mixed use development project located within a FEMA-designated Special Flood Hazard Area (SFHA) in California. At the last minute, the lender identified that the building is within a SFHA and required the developer to factor into his financial projections the purchase NFIP flood insurance during construction. The capitalized value of the NFIP premium was going to prevent the developer from obtaining the loan and moving forward with the project. Our client, a super-regional insurance agency, asked us to review the building plans to figure out whether or not any changes could be made that would make the building eligible to be reclassified out of the SFHA to eliminate the need for NFIP flood insurance during and after construction, so their client would be able to secure the construction loan and move forward with the development project.

THE SOLUTION

Our highly specialized flood consulting team, comprised of water resource engineers, surveyors and certified floodplain managers, worked in conjunction with the developer and its local design team to assess the situation and develop a solution. Our team provided recommendations for altering the plans to create a building that would be considered more “flood safe” according to FEMA’s rules and regulations. The result is a building that will qualify for removal from the SFHA upon completion of construction while remaining within the development budget. Our engineers obtained a Conditional Letter Of Map Revision (CLOMR) from FEMA indicating that the building will be eligible for removal from the SFHA upon completion of construction; provided, the developer builds it according to the plans.

>> THE RESULTS

- Designed a building with far less flood risk.
- Eliminated the lender’s flood insurance requirement during construction.
- Prevented the developer from spending more than \$50,000 on NFIP flood insurance premiums.
- Saved more than \$1 million of property value by preventing the NFIP flood insurance expense.

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