

The Impact of Climate Change on Assessing Real Estate

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- We cannot provide specific legal advice. We are providing general information only, and the information contained herein should not be relied upon without first consulting with a licensed attorney.



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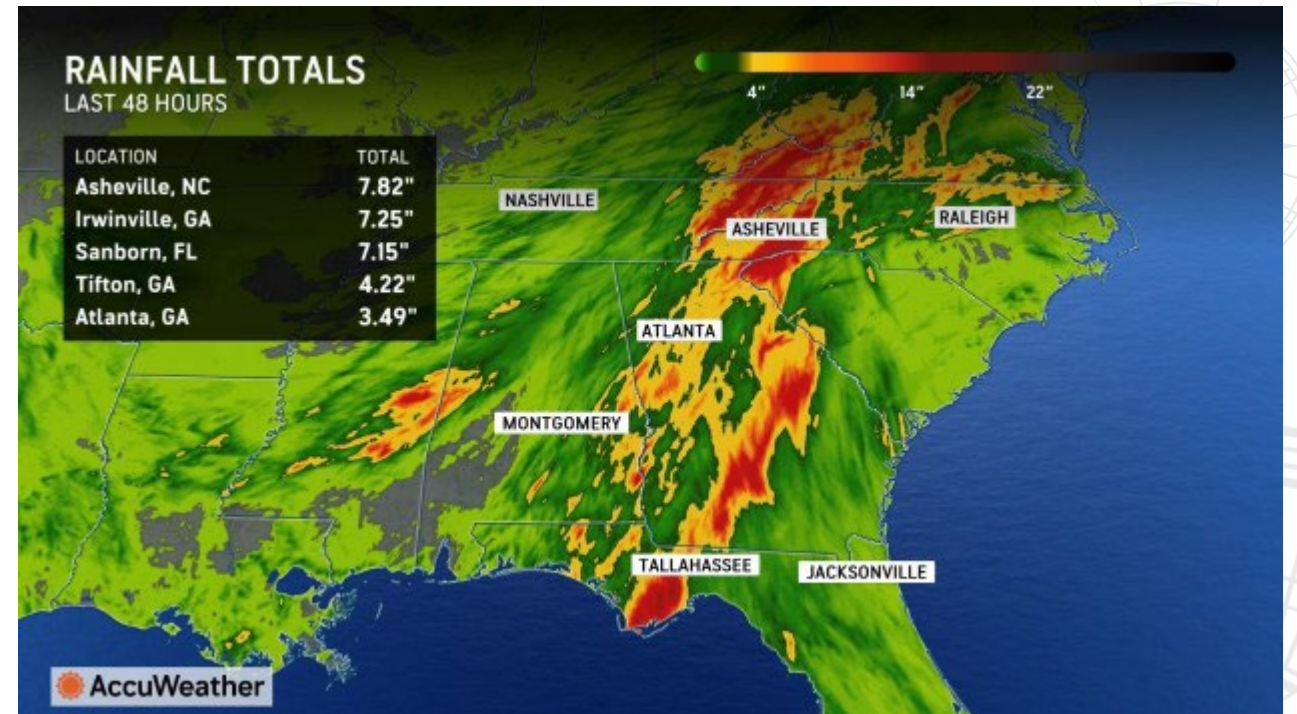
Stronger. Together.

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Hurricane Helene

- “Biblical devastation” in North Carolina towns flooded by Helene” – Washington Post

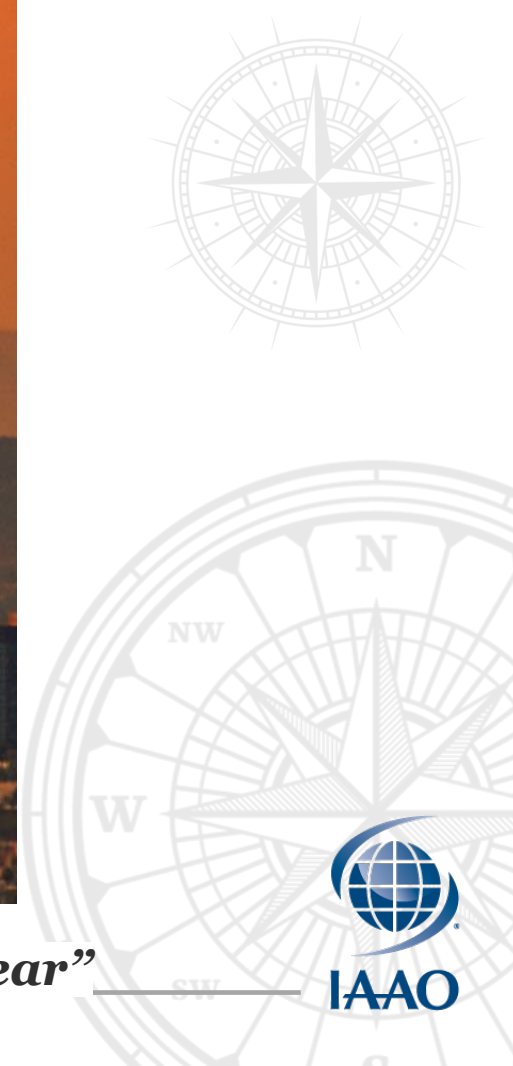


2024 Summer Heat, Phoenix, AZ

“Phoenix hits 100 degrees for the 100th day in a row”



“At least 177 confirmed heat-related deaths in Maricopa County this year”



2023 Wildfire, Hawaii



*“Hawaii wildfires
kill 36 as
'apocalypse' hits
Maui island resort
city”*

September 2022, Hurricane Ian, Florida



Ian leaves a trail of misery in SWFL
LOCAL 3A

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Naples Daily News
FRIDAY, SEPTEMBER 30, 2022 | NAPLESNEWS.COM PART OF THE USA TODAY NETWORK

HURRICANE IAN'S AFTERMATH
'HISTORIC' DAMAGE

Southwest Florida wakes up to devastation from storm's unprecedented wind and water, as long recovery begins

To our readers

Inside

See AFTERMATH, Page 10A



21st Century, Megadrought, Western U.S.

***“Drought has
no end in
sight”***



***“The
current megadrought
in the western United
States has broken
previous records for
the driest 22-year
period in the region
since the year 800
C.E.”***

December 2023 Flood, Lewiston & Hallowell, ME

“Storm triggers catastrophic flooding”



The Androscoggin flowed over North River Road in Auburn, flooding Higgins Sports Center and Am Can Satellite, and



“Kennebec River in Hallowell rises to record high”

December 2023 Flooding, Newry, ME



“Maine ski areas are still recovering from Monday’s storm damage and hastening to prepare mountain trails in time for the start of Christmas vacation week”

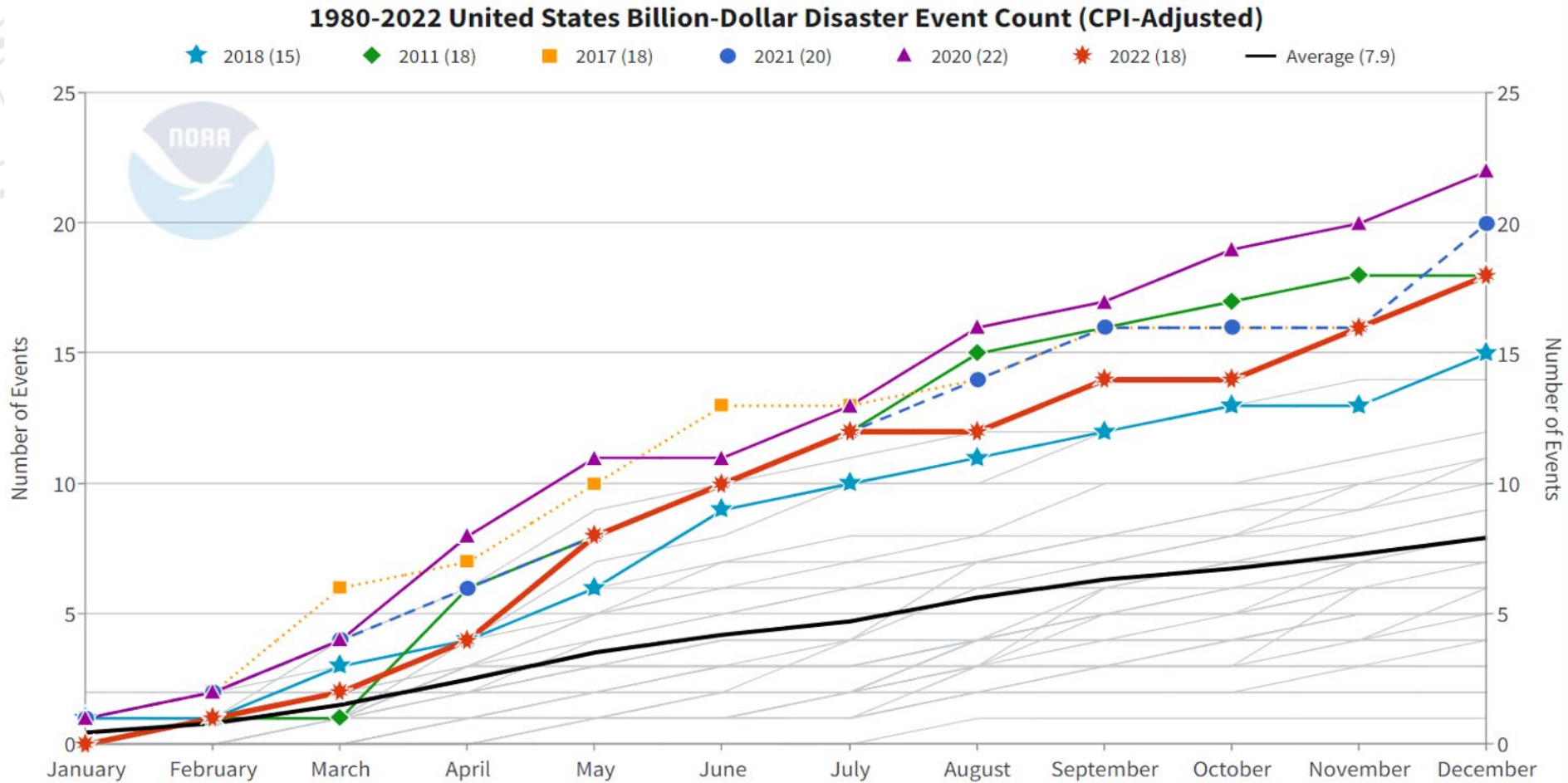
Boundary Changes!



Why are Italy and Switzerland redrawing their border near Matterhorn Peak? – Business Standard



Disasters are Increasing in Frequency



Study: Sea level rise threatens 2.4M US homes



“The report identified 75 communities where about 30% of the property tax base is at risk
....”

Impacts on Assessing: Crashing Values

“[P]arts of the south coast of Nantucket have receded as much as 1,800 feet since the 1800s.”

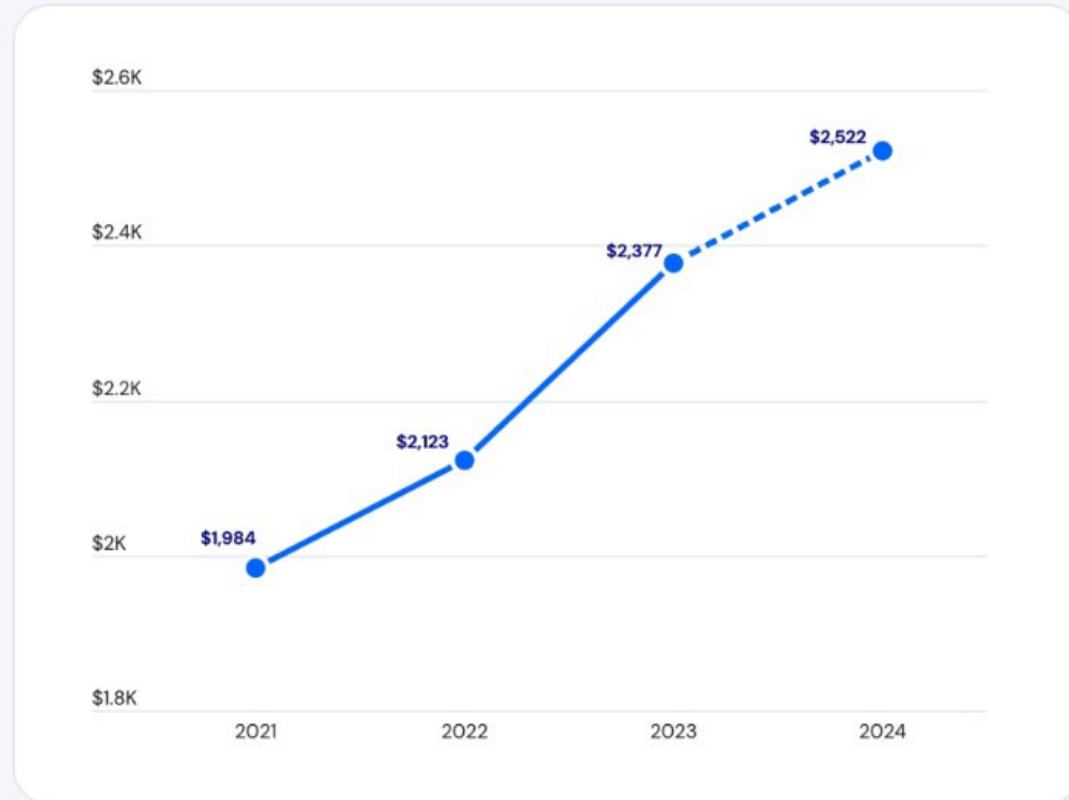
“But after the shoreline lost a stunning 70 feet to erosion in just a matter of weeks, putting the home at imminent risk, the price plunged to \$600,000 by year’s end.”



Access to Insurance

“State Farm won’t accept new applications for policies in California because of wildfires, and Allstate has also pulled back. . . . Several major insurance carriers have left states, including Florida and Louisiana, because of flooding and storm risks.”

Average Annual Cost of Home Insurance (2024)



Source: Analysis of Insurify data


INSURIFY



Changes in Approach: Strong Headwinds

The New York Times

No Easy Way to Restrict Construction in Risky Areas

 Share full article

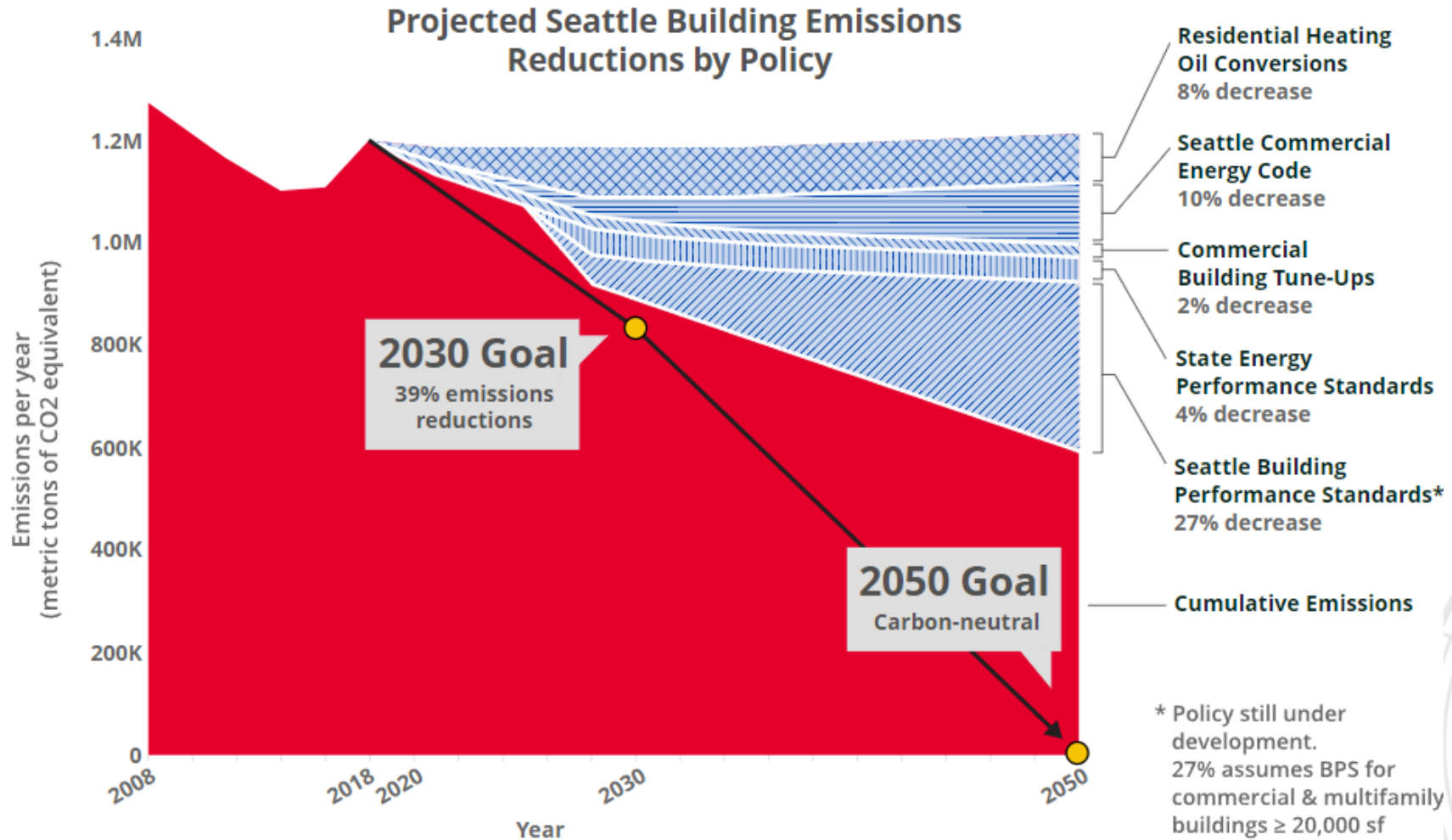


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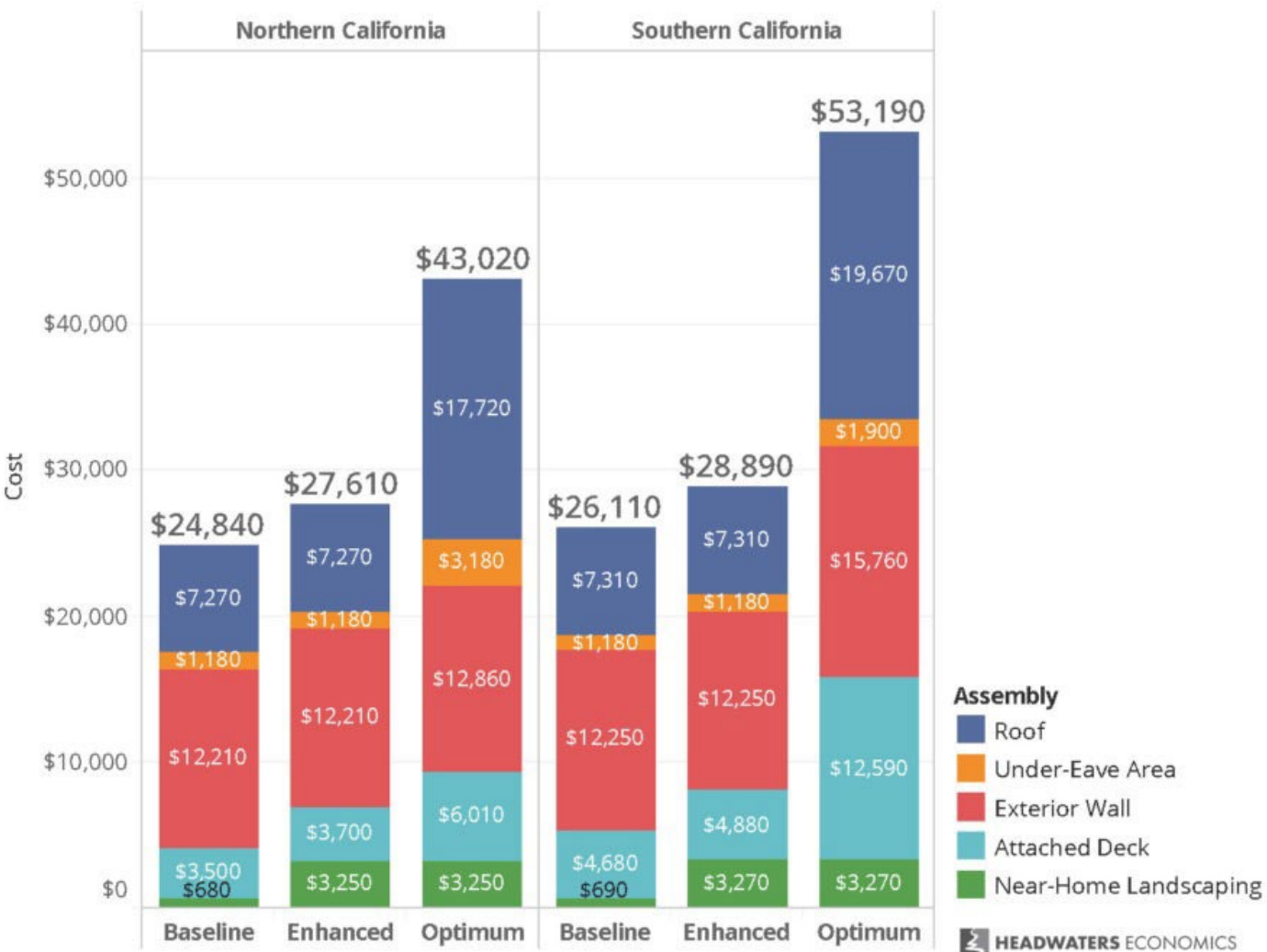
Restricting the right to build is hard, said J. David Rogers, a professor of geological engineering at the Missouri University of Science and Technology in Rolla. “That’s Big Brother,” he said.

Changes in Approach: Seattle Efficient Buildings



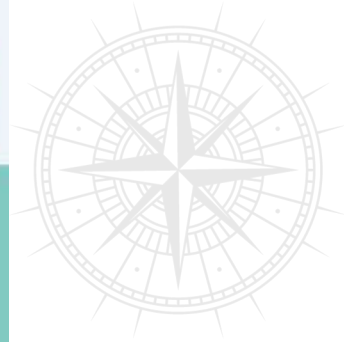
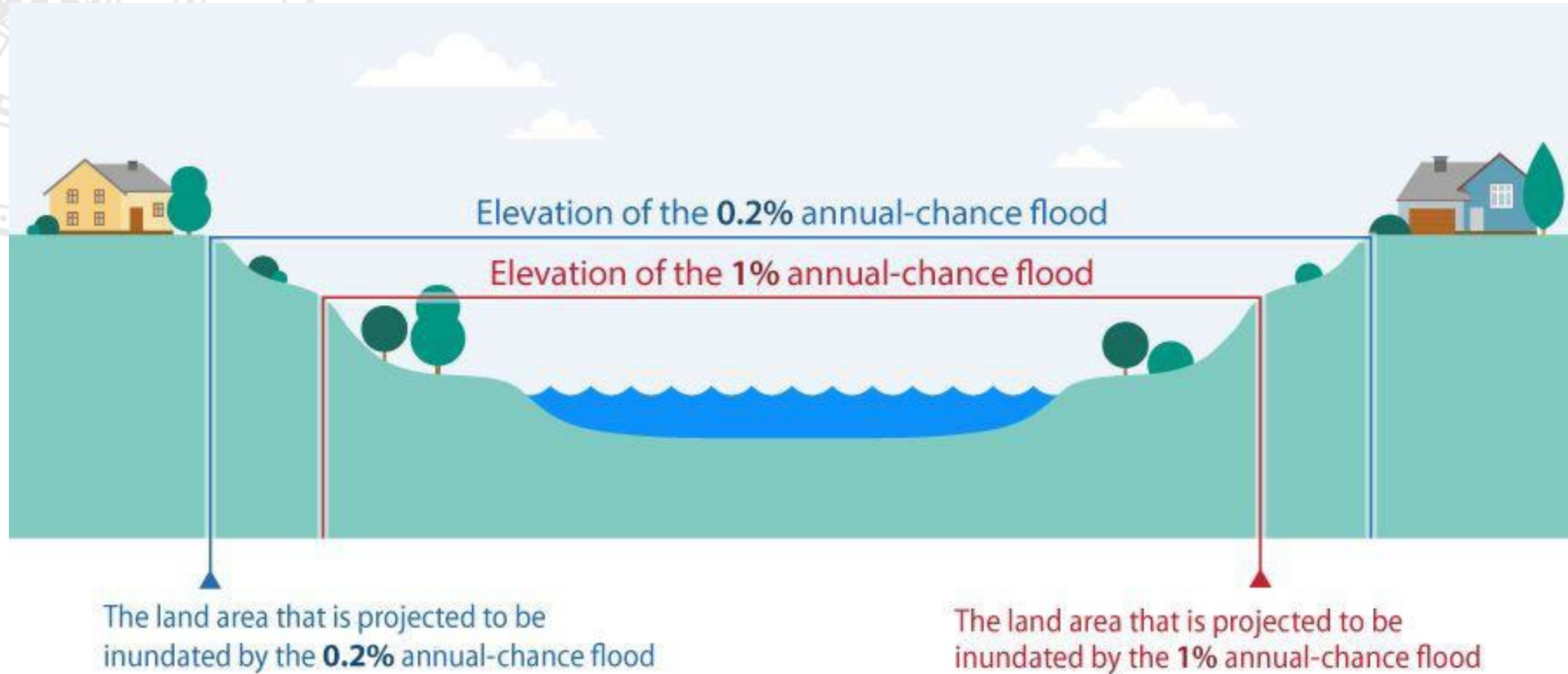
Changes in Approach: California Wildfire Code

Cost Difference of Building Assemblies in New Construction



- “New buildings located in any Fire Hazard Severity Zone or any Wildland-Urban Interface Fire Area designated by the enforcing agency constructed after the application date shall comply with the provisions of this chapter” – R337.*

Changes in Approach: FEMA Floodplains



Changes in Approach: Public Option Insurance

State commission responding to storm damage explores public flood insurance

pressherald.com/2024/09/15/state-commission-responding-to-storm-damage-explores-public-flood-insurance

September 15, 2024



The Kennebec River floods the parking lot of the Hathaway Creative Center on Water Street in Waterville in December, a day after a storm dumped several inches of rain on the region. *Rich Abrahamson/Morning Sentinel file*



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Two Views!

- The world has changed. Throw out the playbook.
- The world is the same. We've been here before.



The world has changed. Throw out the playbook

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The world is the same. We've been here before.

- “Assessors are not, however, obliged to follow the fleeting, speculative fancy of the moment; they should recognize that the true value of a fixed asset, such as real estate, is fairly constant and must be gauged by conditions, not temporary and extraordinary, but by those which over a period of time will be regarded as measurably stable.” *Sweet v. City of Auburn*, 180 A. 803, 804 (Me. 1935).
- Recent Recessions: mid 1970s, early 1980s, the Great Recession in 2007-2009: decline in assessed value of property lags a little behind.
- The Pandemic.
- Concern: “If I grant everyone an abatement, the mill rate will just double.”



The world is the same. We've been here before.

**Price, Value, and
Comparable Distinctions
in Distressed Markets**

by William G. Steinke, SRA

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The Appraisal Journal, Spring 2012

Change is as certain as the seasons, some more extreme than others. Recent changes in national real estate markets have been unprecedented in scale and scope to any in memory, with fractured markets increasingly prevalent. The economic transition from easy money consumerism to uncertainty and retrenchment—initially triggered by the subprime mortgage crisis—has resulted in markets with significant proportions of distressed sales and collapsed prices.

Foreclosure and short-sale segments have produced seemingly chaotic markets characterized by dispersed pricing; this presents increased challenges to the valuation industry. Price stratification is common in markets where distressed sales are prevalent. In these circumstances, distinctions must be made among various submarkets to ensure appropriate interpretation of market activity.



We've haven't been here before, but there are lessons from the past.

- Framework for assessing during disruptions is not unique.
- Three approaches to value: Cost, Sales Comparison, and Income Approaches
- Sales comparison approach considerations
 - Selection of comparable sales: distinctions required between distressed & non-distressed assets, short sales & foreclosures?
 - Buyer profile transitions?
 - Changes in highest and best use?
- Cost approach → increased building costs (RCN), economic & functional obsolescence factors
- Tax Situs Day – Disaster Release Values (e.g., Maine's Sudden & Severe Statute, California Disaster Relief for Damage or Destroyed Property from a disaster or calamity such as fire, flooding or earthquake).

Practical Considerations: The Legal Horizon

- Deadlines are still deadlines... unless they are extended.
- Assessors vs. tax collectors: property tax relief programs (local, state, federal)
 - Use of disaster proceeds?
- Be extremely thoughtful in municipal communications
- Continuity of Government Plans

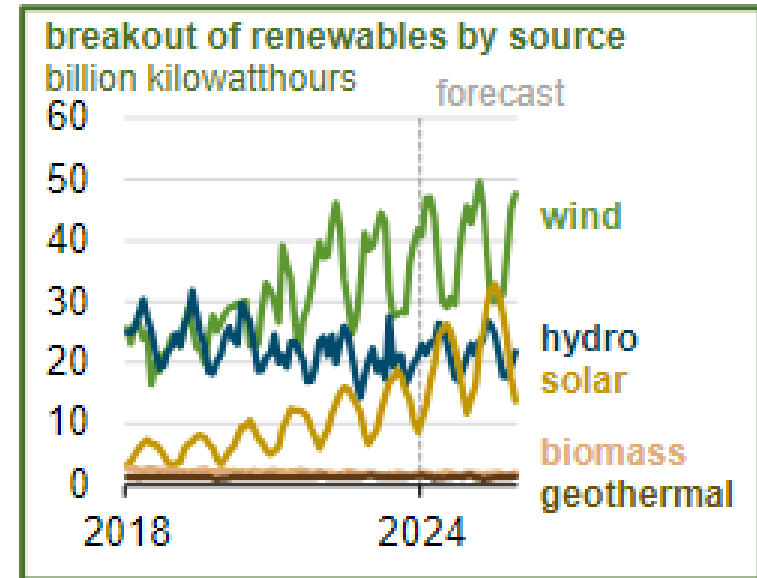
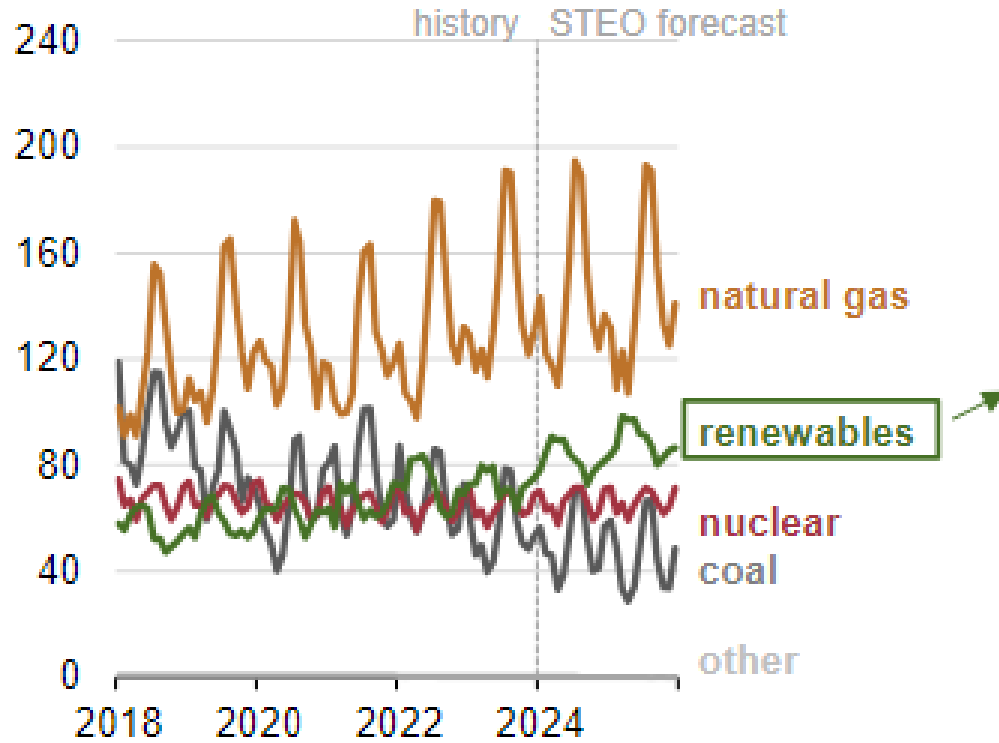


Renewable Growth in a Changing World



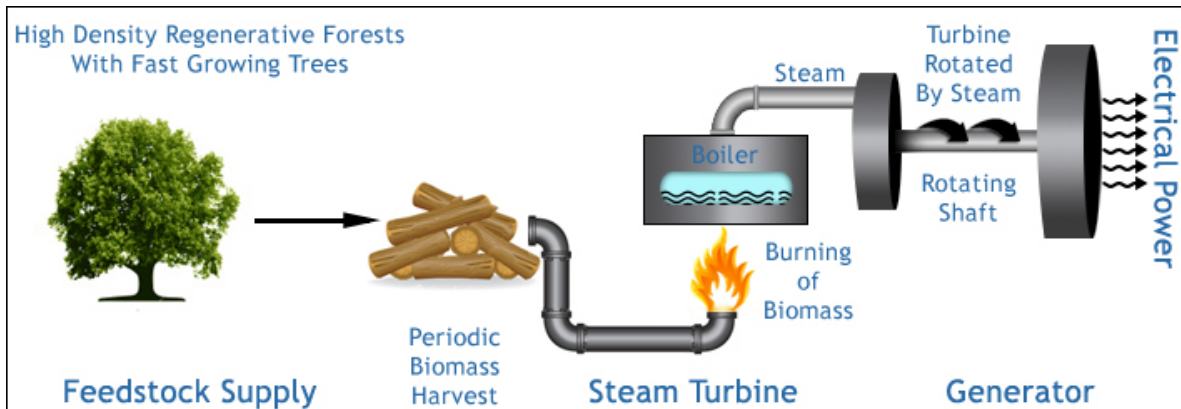
Renewable Power Generation

Monthly U.S. electric power sector electricity generation (Jan 2018–Dec 2025)
billion kilowatthours



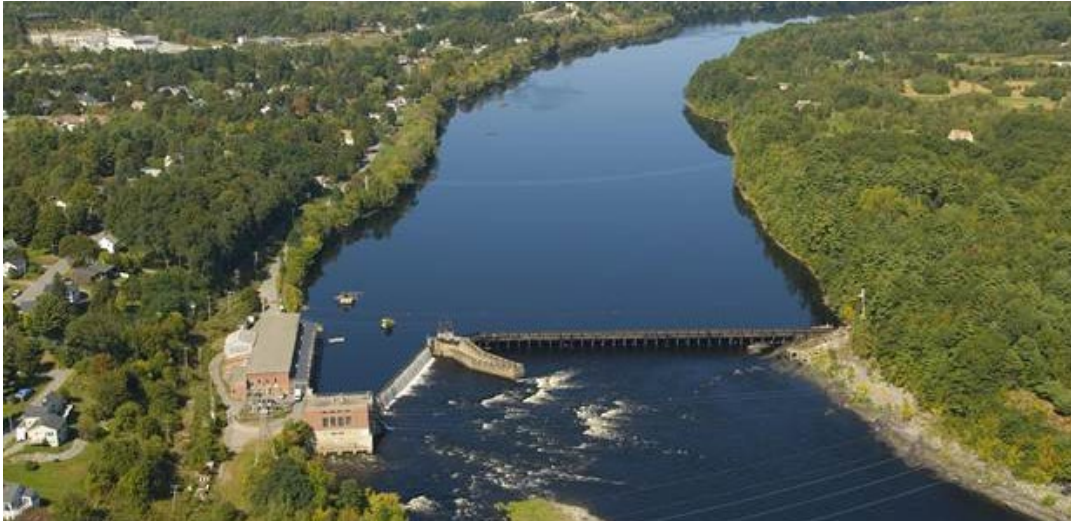
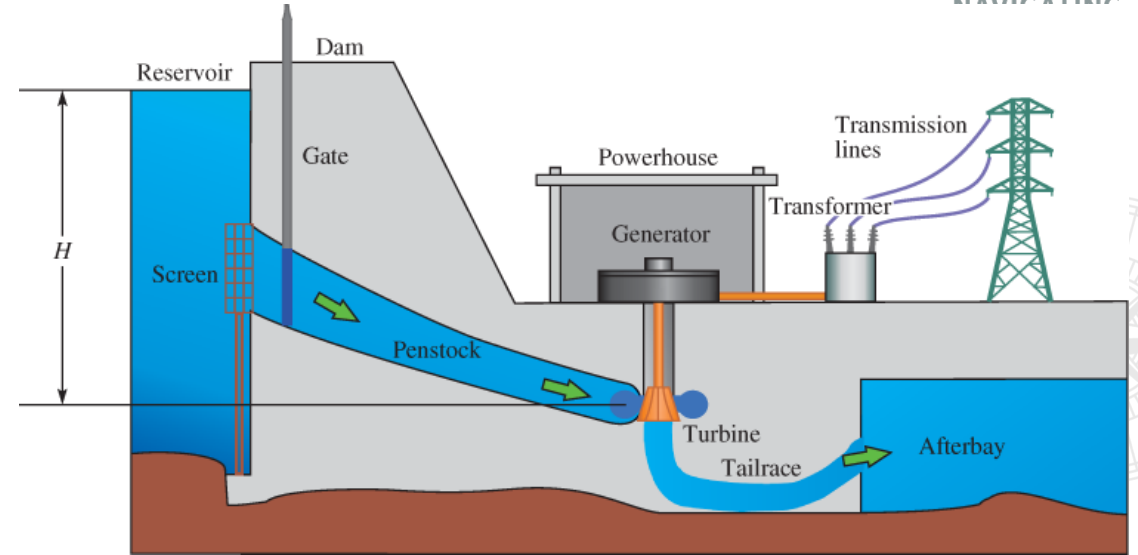
Renewable Power Generation

- Biomass has been a renewable source of grid scale electricity for a long time.
- Many biomass generators – have fallen on some hard times.
 - <https://www.bioenergy-news.com/news/maine-biomass-plant-shutting-down-in-april/>
- Access to the grid, revenue sources, all play a role in the viability of renewables



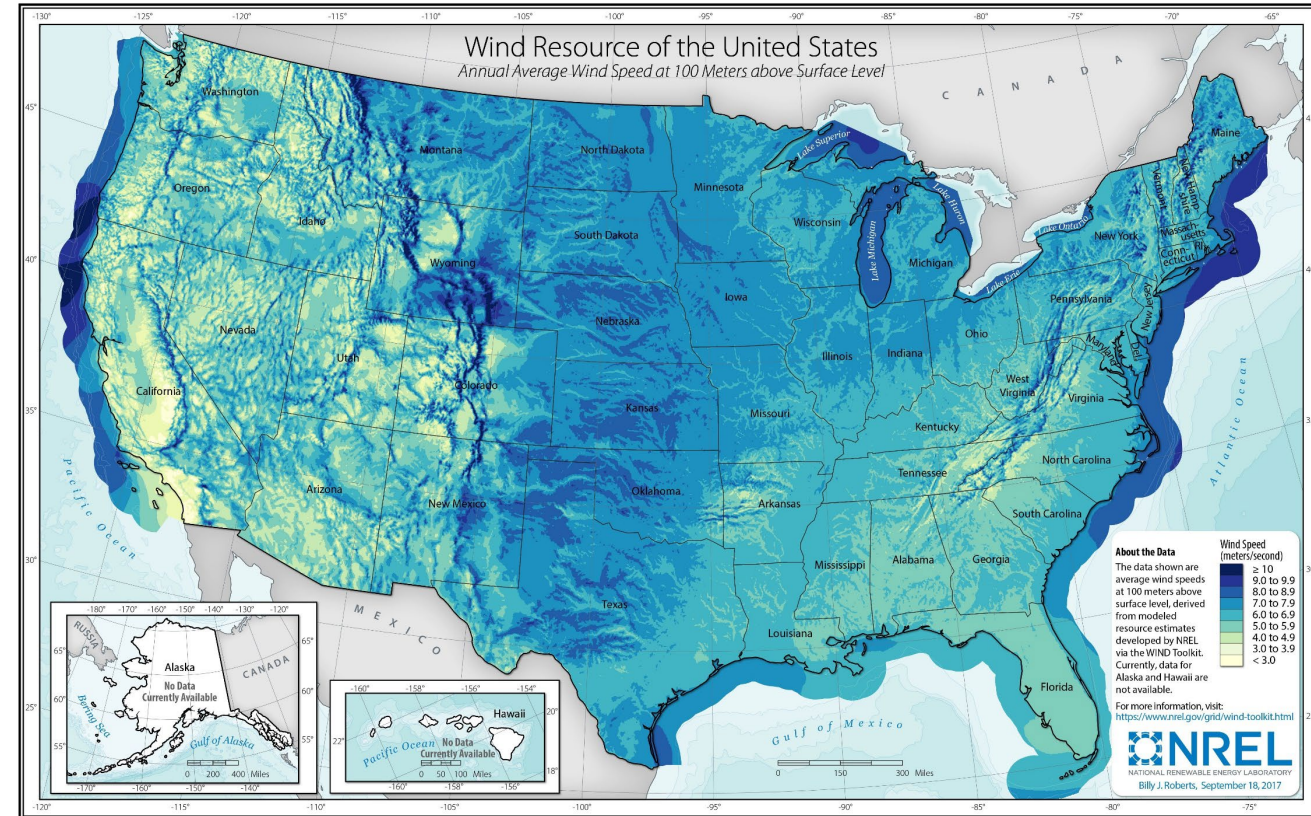
Renewable Power Generation

- Hydroelectric generators have also been around for a long time.
- Headwater benefits – how to account for those?
- Ecological concerns
 - Fish ladders?



Renewable Power Generation

- Wind
 - Small
 - Large
- Took off in Maine, California and Texas decades ago
 - Life of these systems
 - Obsolescence of older systems
- Where is there wind?
 - What are the grid characteristics?
 - Where can they sell?
 - ISO or traditional market?
- Where will they go next?



Renewable Power Generation

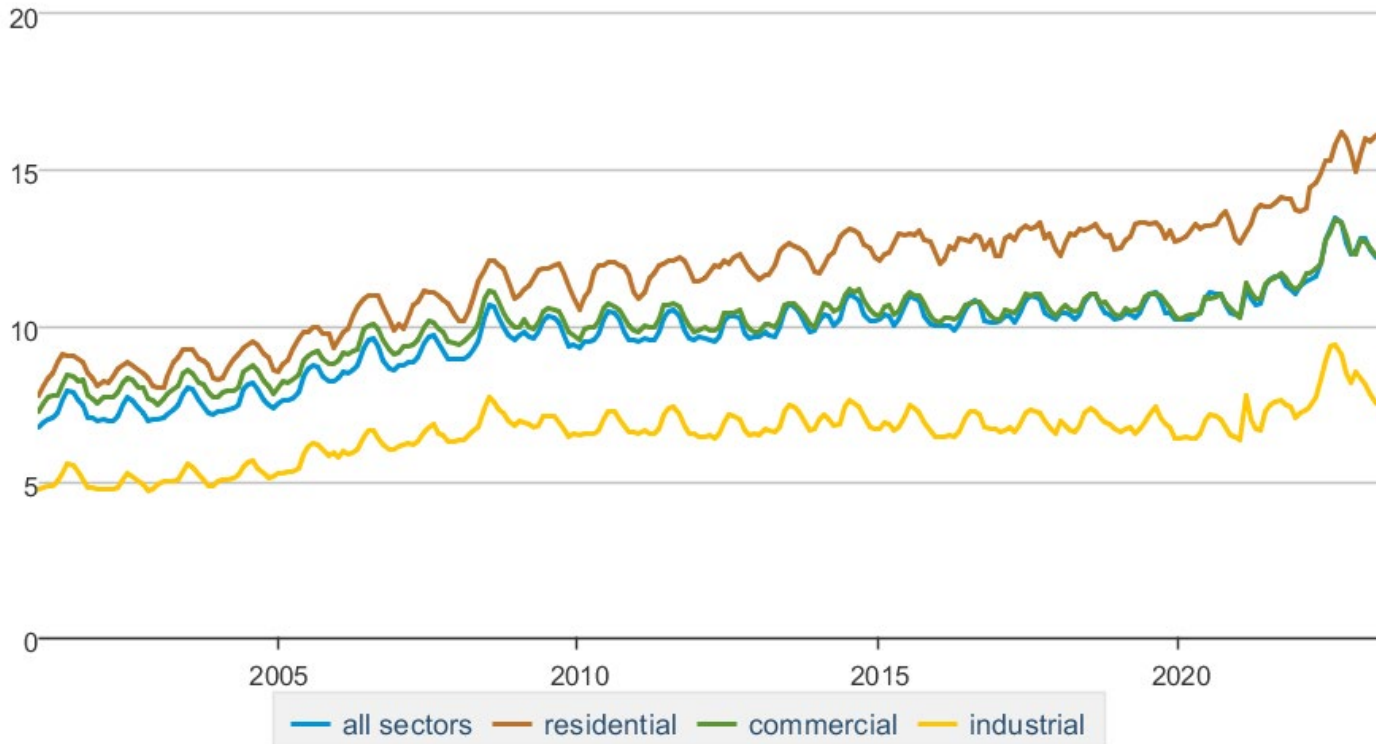
- Solar
 - Residential – who is taxed?
- Grid Scale
- On or off-site storage



Changing Energy Markets in a Changing World

Average retail price of electricity, United States, monthly

cents per kilowatthour



Data source: U.S. Energy Information Administration



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Concluding Thoughts

