

RELOCATE, DEMOLISH, REBUILD

# Upton-Jones Offers Choices For Cottage Owners With Erosion Problems

BY SUSAN USHER

Waves routinely wash over 509 2nd Street at Ocean Isle Beach; blue crabs and minnows feed where *The Matador* once stood overlooking the Atlantic Ocean. A few rocks exposed by the falling tide are the only vestiges of the summer cottage and its former occupants.

Owned by W. R. Thomas of Westlake, Ohio, the cottage was among the first in North Carolina and at Ocean Isle Beach to be demolished under the Upton-Jones provisions of the National Flood Insurance Program. The case is a good example of how the program can work to a homeowner's advantage.

In early December 1988, after much waiting and paperwork, the cottage was moved off the island and destroyed. Three months later, the second of two checks arrived.

If he had it to go through the lengthy process again, Thomas said he would, without question. "You couldn't get rid of the property—no one would buy a house in that location, and it would have cost more to buy another lot and move the house," he explained.

"I can't complain," he continued in a recent telephone interview with the *Beacon*. "They were pretty fair about it."

National flood insurance is a federal program that enables property owners to purchase flood insurance, an alternative to higher federal costs for disaster assistance. In communities that agree to adopt regulations and building standards that reduce the degree of potential damage from flooding, the government offers subsidized insurance policies that cover flood-related losses to specified levels.

Known idiomatically as simply "Upton-Jones," recent amendments to the program go one step farther, allowing claims to be paid for moving or demolishing an erosion-threatened building even when the structure is intact—an incentive to property owners to avert flood-related losses. There are no costs to the owner. The federal program pays for most, if not all, of the work. It also pays expenses related to the claim itself, such as the adjuster and appraisers.

Interest in Upton-Jones heightened across the Carolina coasts last September, when Hurricane Hugo took its toll along the oceanfront. The hurricane made landfall near Charleston, S.C., on Sept. 22. On Sept. 30, the Upton-Jones measures were due to expire, spurring a rush of claims.

Congress did vote, however, to extend the provisions until September 30, 1991.

**Homeowners Have Options**  
Under Upton-Jones, owners of insured, qualified buildings have two options: They can receive up to 40 percent of the building value to pay for moving and setting up the house at another site and cleanup costs. Or they can claim 100 percent of the value for demolition plus up to 10 percent for cleanup.

To qualify owners must have flood insurance and the building must be insured either 1) on or before June 1, 1988; 2) for two years prior to certification; or 3) for the term of ownership if the current owner has more recently purchased the building.

The types of costs allowed for relocation include moving the structure; cleaning up the old lot and removing any septic system; cost of a new foundation; new utility connections and connection fees, including a new septic system; and other miscellaneous expenses. Receipts for all expenses should be saved for the adjuster.

If the building is moved, it can be taken landward on the original lot, as has been the case in several Holden Beach claims, or to another lot, as has occurred on several occasions at Ocean Isle Beach.

For Ocean Isle Beach property owner Thomas, the Upton-Jones amendment came at a good time.

His claim offers a good example of the program's demolition alternative.

**Thomas Chose Demolition**  
After much pushing of sand in a no-win struggle with the encroaching sea, the cottage was declared uninhabitable and was condemned by the Town of Ocean Isle Beach. Town officials told Thomas the house might qualify under Upton-Jones, which had been adopted by Congress and was awaiting the President's signature.

Approximately a week after the amendment was signed into law, Thomas' insurance company, Coastal Insurance of Shallotte, began the claims process and the waiting began.

"It took a long time, more than a year," Thomas recalled. "The government is very careful before they spend the taxpayers' money."

The claims process could have taken even longer. If the structure had not already been condemned by the town, the state Division of Coastal Management would have had to certify the imminent erosion threat to the building. There is no charge for obtaining the certification.

As it was, an insurance adjuster spent a day developing the claim—taking pictures of the cottage, mea-

suring it, checking the tide and the height of the water under the house. Then two appraisers worked to determine the actual cash value of the cottage.

Under Upton-Jones, the flood insurance program uses the lowest figure from three means of calculating the value: fair appraised market value of a comparable building that is not threatened, the original purchase price for the building and cost of improvements adjusted for inflation, or the value of the structure under the flood insurance contract. Where the structure is not a primary residence the program bases payment on the structure's actual cash value, said Kay Couvillon, who handles flood insurance claims for Coastal Insurance.

Thomas didn't hear from FEMA from March until September, then it was in a letter requesting more information. He complied, and then another agent came out to continue discussions on the value of the house.

As it turned out, Thomas' insurance coverage for the 19- to 20-year-old cottage fell into the same range as its appraised value. "I hadn't overinsured it," he said.

Having the property adequately, but not under- or over-insured is important in the claims process. If *The Matador* had been over-insured, Thomas might not have been able to collect the full amount for which the structure was insured. If the building had been underinsured, he would not have received the full value for demolition or moving costs if those costs exceeded 40 percent of the building coverage.

In early November Thomas was notified by FEMA's Washington, D.C., office that a final determination had been made in October: the cottage qualified under Upton-Jones. Thomas agreed to the settlement offer made by FEMA and the first check was sent, representing 40 percent of the value of the building with the policy's building deductible withheld.

Once the demolition of the cottage in December had been confirmed, Thomas received the remaining 60 percent of the value of the building, plus 10 percent to clean up the original home site. That was in March 1989, more than a year after his house had been condemned.

"I didn't make out or anything; in fact I had a loss," said Thomas. "But something was better than nothing. I can't complain. If I hadn't demolished it, I think the hurricane—Hurricane Hugo—would have gotten it."

The lot, now entirely under wa-



STAFF PHOTO BY DOUG RUTTER

TARBORO RESIDENT Paul G. Parker relocated *Gull Cottage*, at 569 Ocean Boulevard West, Holden Beach, from a perilous perch on the dune's edge to streetside at the same street address. A deep lot allowed him options not available to every oceanfront homeowner under the Upton-Jones provisions of the National Flood Insurance Program.

ter on high tide, is of no value to him. Thomas said he doubts the shore will accrete enough, at least in his lifetime, to allow rebuilding.

Federal flood insurance only covered the cottage, so the lot cannot be claimed as a loss.

**Here Or There?**

Thomas had the option of relocating the cottage—in his case only to another lot since his own lot was by then too small. He opted for demolition because of the added expenses associated with relocation when related to the value of the cottage.

Statewide, according to the N.C. Division of Emergency Management, which coordinates the insurance program in North Carolina, typical moving and setup costs for a beach house have been estimated at \$15,000 to \$30,000, plus the cost of the new lot. If 40 percent of the insurance value of the building is less than the moving costs, then the owner must pay the difference.

**Salvaging A Lot**

If Thomas' lot had been consider-

ably deeper, he could have demolished the erosion-threatened cottage under Upton-Jones, then later rebuilt on the same lot, retaining or increasing its value.

According to Holden Beach Building Inspector Dwight Carroll, at least three homes at Holden Beach have been relocated inland on the same oceanfront lot. And several other homeowners, including Jim Gregson of Greensboro, hope to rebuild on their same lots after filing Upton-Jones demolition claims.

So long as the lots meet existing regulations, there's no problem with taking that route, according to Jim Hestine, manager of the N.C. Division of Coastal Management's regional office in Wilmington. "And," he added, "that might not be that uncommon on some of the beaches in Pender and Onslow counties where the lots are so deep."

At Holden Beach the lot would have to meet several criteria, according to the town building inspector. A single-family home, for in-

stance, would have to set back from the first line of vegetation a distance at least 30 times the erosion rate, or 60 feet in most cases. The average annual rate of erosion is two feet along most of Holden Beach, increasing to three feet east of Hillside Street and toward Lockwood Folly Inlet.

The lot would also have to provide a 25-foot front-yard easement. A septic tank could be placed within this easement, but could not be located within the oceanfront CAM setback.

If the lot were 110-feet deep, Carroll explained, there would be still be enough room for a 25-foot deep house.

The Upton-Jones provisions may entail a confusing and even frustrating amount of waiting, red tape and paperwork. But for oceanfront property owners whose property is threatened by erosion, says Berry Williams, flood insurance program coordinator for the N.C. Division of Emergency Management, "the flood insurance program offers extremely attractive financial options."

## Blaze Burns Mobile Home

Cause of a fire that destroyed a Maco area residence last Wednesday was still undetermined Friday, according to the Brunswick County Sheriff's Department.

Det. Ray Spencer said the blaze occurred last Wednesday around 4:30 p.m. at a mobile home occupied by Janice Watson on N.C. 87, one mile east of Maco Truckstop.

No one was home at the time of the fire, Spencer said. He added that Ms. Watson and her children were visiting relatives when the blaze was reported. Leland Volunteer Fire Department answered the call.

Spencer said the fire might have been caused by a water heater malfunction. He added, however, that fire officials had not ruled out the possibility of arson.

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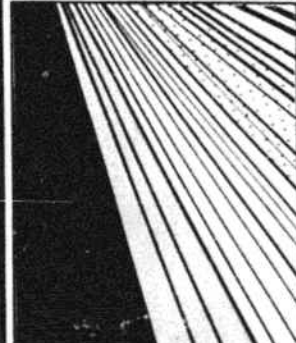
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