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Long road to recovery?

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Report: Insurance tougher to obtain for homes at risk of debris flow

Home sales in Montecito fell sharply in the first few months after the debris flow of Jan. 9, 2018, while insurance representatives say it has become more difficult to obtain insurance for homes at risk of future debris flow.

Santa Barbara-based economic consulting company Robert D. Niehaus, Inc. published a report Thursday on the housing market impact and recovery in the Montecito area, analyzing the effect of the devastating debris flow and subsequent recovery of residential sales, sales prices and building activity.

The debris flow killed 23 people and damaged or destroyed hundreds of homes and commercial properties. As of April 2018, insurance claims totaled $421.9 million, including 107 homes declared total losses.

Home sales in Montecito fell an estimated 25.5 percent between 2017 and 2018, mainly concentrated on the four to six months following the debris flow, according to real estate experts.

Prior to the decrease in early 2018, total sales in Montecito had already been on the decline by an average of 3.4 percent each year from 2012 to 2017, according to the report.

"Although total sales in Montecito declined sharply in 2018, the disruption was not evenly spread throughout the year," the report reads. "Several realtors reported a severe slow-down for 4-6 months following the January debris flow, but also indicated that an overall attractive market and pent-up demand spurred sales in the later part of the year."

While sales have shown signs of recovery in recent months, local real estate brokers and agents interviewed for the study said they were wary of buying or selling properties in the "red zone" areas in Montecito and Carpinteria that county officials have determined are at significant risk of future debris flows.

The analysis found the value of homes in the red zone have declined 25.9 percent since the debris flow, while the value of homes outside that area increased by 9.6 percent.

Many real estate experts said they are hesitant or unwilling to show and sell homes in the red zone until new building and zoning requirements are finalized and the homes are fitted to withstand future events.

The slowdown in sales "may be further exacerbated" by changes in the fire and flood insurance market, with several insurance representatives reporting that it's more difficult to obtain insurance for homes in the red zone and some existing policies are "unlikely" to be renewed. One insurance agent said non-renewal rates are already on the rise for homes in high risk areas, according to the report.

Despite those issues, the "allure of living in the Montecito area did not disappear after the tragedy," the report reads.

Roughly 85 percent of those interviewed said those affected chose to remain nearby, whether rebuilding in Montecito or moving to Hope Ranch or Goleta. Those who left the area were approaching major life events, such as retirement, and the debris flow was the "catalyst which propelled them to move away."

A total of 633 structures were initially assessed for damage following the debris flow. The structures included 506 homes, 32 businesses (including hotels), and 95 outbuildings (garages, barns, etc.) Of the 506 homes, 165 received a red tag (uninhabitable), 144 received a yellow tags (restricted use) and 197 received green tags (safe and cleared for occupancy).

An inspection held this January altered those figures. Some 105 homes initially under red tag status have been changed to yellow or green, and 79 homes under yellow have been changed to green tags. A change in tag status could indicate significant repairs or that the home has been demolished and the lot is now cleared as vacant land, according to the report.

The county Assessor's Office reduced the total assessed values of the affected properties from $885 million in fiscal year 2017 to $555 million in fiscal year 2018. That total excludes another $42 million in combined damages to the Four Seasons Resort The Biltmore Santa Barbara, and San Ysidro Ranch. Broken down by type, the damages include $186 million to land and $144 million to structures, according to the report.

Of the 271 parcels with homes under red or yellow tag status, 145 have been issued permits to demolish, rebuild or repair all or some of their structures. In February 2018 alone, a total of 38 demolition permits were issued. Demolition permits fell significantly in September, after which no more than five permits were filed per month. Most permit demolition projects have been completed, though about 39 percent of demolition projects and about 79 percent of permitted repair or rebuilding projects are still underway.

Those findings "indicate that Montecito is likely not as far along in the rebuilding process as the change in inspection status might otherwise suggest," the report reads.

Roughly 29 percent of parcels initially marked red and the 73 parcels marked yellow have reported no relevant permitting activity since the debris flow. In addition, more than 200 parcels initially tagged as red or yellow have projects still in progress, suggesting the change in inspection status has been driven by demolition as opposed to rebuilds or repairs.

For parcels that have been issued both demolition and repair or rebuild permits, the average time between their issuance was 120 days. More than a year after the debris flow, only two rebuilding projects and 15 repair projects have been completed.

"Although not all recovery efforts require a permit, such as for removing mud from property, our analysis indicates that Montecito's housing stock still has a long road to recovery."

To view the report, visit www.rdniehaus.com.

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