Don’t Be Confused About Climate Change. We All Need To Become More Resilient Now

‘Mitigation’ – CO2 reductions – won’t reduce need for resilience investments. Residents of coastal high-rise buildings face higher assessments and rents to prevent damage from warming climate

March 21, 2022* | *By Albert Slap, Coastal Risk Consulting

I recently received an inquiry from a journalist that said: “I’d like to have a conversation about whether South Florida is doing enough to mitigate sea level rise and climate change over the long term. Do you have thoughts on that?”

Of course, I had thoughts on that. What concerned me was that the question revealed just how deeply the confusion over “mitigation” and “adaptation/resilience” persists in the public consciousness. Here is part of my response to the journalist.

I told him that “your use of the word ‘mitigate’ and the phrase ‘long term’ indicates to me that you, like many in the public and in the business community, are still confused about the situation facing us – not just in South Florida, but around the world. The word ‘mitigation’ has come to mean reducing CO2 emissions to counteract global warming and climate change. The phrase ‘long term’ has come to mean 2100.”

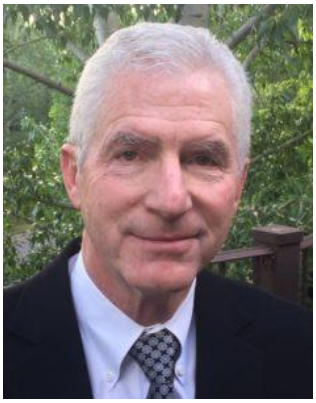
Here are some conclusions I shared with the reporter:

1 – mitigation alone won’t save South Florida from the worst impacts of climate change

2 — All stakeholders (residents, businesses, and governments) need to start making their own buildings safer and more resilient — right now, not in the “long term.” Public infrastructure upgrades alone won’t save us.

Two reports that came out in the last month, the NOAA/NASA Interagency Sea Level Rise Report, and the 6th IPCC Report, make clear that we cannot reduce CO2 emissions fast enough to avoid some of the worst impacts of sea level rise and climate change.

We cannot “mitigate” our way out of this crisis and damaging effects are being experienced now.


Albert Slap

If, according to NOAA/NASA, still water sea levels rise 1 foot by 2050, this means that king tides will be approximately 3 feet above current sea levels. These levels will be devastating to many low-lying coastal cities (Miami Beach, Fort Lauderdale) and many of them will not have the money or the political will to make the changes to road levels and storm water systems and pumps to keep the water at bay.

Also, a 1-foot increase in sea level also means more salty groundwater in and around the coastal buildings, their underground parking, and their foundations. See the Coastal Condo Climate Primer that I wrote with FIU's Dr. Randall Parkinson.

Look at the problems that the City of Miami Beach is having in raising West Avenue. West Avenue is one of the streets in Miami Beach with the most king tide floodingand, it is getting worse every year.

Most of the people living along West Avenue live in either high-rise condos with HOAs or in rental apartment buildings that are probably owned by a REIT. There was a community meeting this month for West Avenue where residents aired their grievances to Commissioner Mark Samuelian.

The road raising is stalled. Why? Because raising roads, which is needed, potentially (and likely) causes more water to run off the raised streets into buildings, especially if they have underground parking.

Given the certainty of increased flooding in Miami Beach, why are the residents pushing back so hard against road raising? Because if they live in a condo with an HOA, they know that they will have to pay increased assessments to protect the building from the impacts of climate change.

If they live in a rental building and the REIT owner has to make climate-related improvements, then rents will likely increase. So, the question becomes "who will pay" and "how much" to make buildings safer and more resilient.

The squeeze is also on the HOAs. Fannie and Freddie are both "blacklisting" condo HOA buildings that have deferred maintenance, needed structural repairs and water intrusions.

Fannie and Freddie don't call it "blacklisting," but that is what it is. They won't buy mortgages in condo buildings with problems like those that were present in Champlain Towers before it collapsed. If Fannie and Freddie won't buy these condo mortgages, then the buyer pool shrinks and the market prices in those buildings goes down.

The squeeze is on public REITs and other public companies that own residential and commercial real estate. The SEC is about to come out with a regulation that will require public companies to disclose "physical climate change impacts" to their assets.

Once this happens, the dominoes of physical climate risk disclosures in CRE generally will fall quickly and it will become mainstream.

Finally, as buildings in South Florida and elsewhere in the country are being sold, the depth and breadth of due diligence is increasing and will bring ALL of these issues onto the table during the closing process.

Buyers, lenders and insurers all will want to know more about climate change risks. Lenders will want to know more about climate change risks. Insurance carriers will want to know more.

So, sellers will have no choice but to get out ahead of these issues and begin to make investments in resilience measures that are commercially reasonable in advance of sale — just as they would fix or replace a leaky roof prior to sale.

Further, ASTM is coming out with a Property Resilience Assessment Standard, which will add RiskFootprint-like reports to every Property Condition Assessment for every commercial, multi-family and industrial real estate deal going forward.

In view of the current and future climate change impacts, we need all of society's stakeholders to make residential, commercial and government buildings safer and more resilient – sooner rather than later.

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